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27 JULY 1987

AFRICA (SUB-SAHARA)

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POLITICAL IMPACT OF ECONOMIC CRISIS EXPLORED

London AFRICA CONFIDENTIAL in English 10 Jun 87 pp 4-6

[Text]

Cameroon is in the grip of a crisis whose most obvious cause - a fall in the value of export commodities including oil, cocoa, coffee, cotton and palm oil - has a familiar ring. But more worrying than this are the political aspects of the crisis which call into question President **Paul Biya's** authority and the direction in which his government is taking the country.

Cameroon's structural problems have long been hidden by the government's practice of keeping oil revenues in secret accounts outside the public budget. Imprisoned by their own rhetoric and their distaste for the unpalatable, politicians and administrators have not faced the fact that the country has had an oil-dependent economy since around 1975.

The most obvious symptom of the economic crisis lies in public finances. For the first time the government is having difficulty paying its 170,000 civil servants, whose salary bill amounts to some 30 billion CFA (\$100 mn.) per month. Private sector companies who have done contract work for the state have also suffered. In May 1986 contractors lobbied Biya in Douala to get money owed to them by the state. Some foreign businessmen swore, once they had got their money, not to take state contracts again. Now, a year later, state debts to private contractors are again a cause of concern. Even the banks have a liquidity problem.

The public debt is some \$3 bn., of which \$2 bn. is guaranteed public debt. Short-term debt alone is \$1.5 bn. Servicing has become a cruel burden, costing about \$380 mn in 1987. The government may have to borrow more to pay its most pressing debts, having lost millions from its imprudent habit of keeping money in dollar accounts abroad, now hit by the fall in the dollar's value. Cameroon's liquid assets outside the franc zone are currently some 100 bn. CFA.

Facing the debt problem is not helped by squabbles between rival politicians. In November 1986 Biya decided to reform the presidency along the lines of a study by the French CEGOS company which he had commissioned in 1984. The management experts at CEGOS identified one of the main administrative problems in the presidency as the overlapping responsibilities of the director of the president's office, **Robert Mbella Mbappe**, and the secretary-general of the government, **Jean Nkuet  **. Nkuet   was recently the subject of an embarrassing leak to the *Cameroon Tribune*, which published a confidential memorandum revealing the extent to which he was allowed to take decisions on the president's behalf.

January's brutal sacking of Foreign Minister **William Eteki Mboumoua**, and Biya's high-handed assertion that he could sack anyone he liked, have also confused the lines of political command. This contradicted Biya's earlier assurances that he aimed to establish a greater measure of ministerial responsibility.

Who decides what is more obscure than ever. So too is the question of motive, as corruption rears its ugly head. 'Times are hard' is one of the current presidential slogans. Officials with a neat line in cynical humour sometimes use the phrase to solicit a bribe. Most Cameroonians are convinced that bribery and personal interest explain many decisions.

Whatever the reason, Biya has failed to develop a realistic economic policy. Officially, for example, he still has the option of calling in the *International Monetary Fund* (IMF), although Biya has publicly expressed his distaste at the measures the IMF would impose, such as massive retrenchment in the public sector. In reality the IMF debate has already taken place within government circles, the decision being not to bring in the IMF but to impose austerity measures and to look for other sources of finance. Such a course is unlikely to plug the budget deficit of some 200 bn. CFA (\$660 mn.), especially as some ministers are absolutely opposed to public spending cuts.

The government has been slow to digest the fact that France, since 1981, has made structural adjustment aid conditional on an IMF agreement. French Prime Minister **Jacques Chirac**'s visit to Cameroon in March 1987 did not resolve any of the misunderstandings on this question and Biya's state visit to France was equally disappointing. The upshot is that Cameroon may shortly have to negotiate with the IMF from a position of weakness.

The same lack of rigour affects industrial and commercial policy. Official rhetoric insists on the need for national self-sufficiency and a gradual diversification of business relations away from

France. This is sensible enough, but key decisions are taken in ignorance of the state of the world economy and the norms of international business. One way and another the government has managed to alienate not only French investors but also the other foreigners it hoped to do business with. The much-vaunted commercial opening to the **United States** and **West Germany** is a non-starter.

Top government officials in charge of dealing with foreign businessmen in recent years have had an unfortunate knack of annoying people for no good reason. This is all the more unnecessary because other government ministers, such as the team led by Planning Minister **Sadou Hayatou**, are held in universally high esteem. One official most closely in touch with foreign investors is Jean Nkueté, formerly in charge of the presidency's relations with foreign business before his switch to the post of government secretary-general. Another is **Edouard Nomo Ongolo**, the minister of commerce and industry, who lived for years in the USA. The combination of these two portfolios in Nomo Ongolo's hands is unfortunate. It generally turns out to the detriment of industry and is a cause of concern to Cameroonian industrialists. Finance Minister **André Booto a Ngen** is the other main contact for businessmen.

Economic activity is choked by a mass of fiscal regulations of doubtful utility, especially on pricing, contracts and customs formalities. Another form of strangulation is to be found in the port of Douala where cargo containers lie abandoned by importers whose documents were not in order, littering the docks.

Meanwhile smuggling is rife, dominated by smuggler-barons who are sometimes close to members of the government. Other favourite rackets are kick-backs on import licences and on industrial construction projects.

Competition from imports and new projects is distorting whole sectors of the local economy, notably the production of palm and cotton oil, textiles, cigarettes, shoes, cement, metals and rice. For example, the government has approved a scheme for the corrugation of galvanised iron sheets imported from **South Korea**, which will compete with the existing **SOCATRAL** factory. An equally stupefying project involves building a cement factory in Yaoundé which will threaten the state-owned **CIMENCAM**, whose Figuil factory is already struggling against the import of **Nigerian** cement.

These new projects, which have no obvious economic rationale, are aided by the state's own funds from the *Caisse nationale de prévoyance sociale*, which has been ordered to invest in the Yaoundé cement project. The private sector prefers to invest in safer but non-productive areas like property and land.

Agriculture, which has at least benefitted from the improvement of roads, also suffers from competition by illegal imports, as well as from the need to renew old plantations and from competition in international markets. A viable agricultural revival plan could be effective only in the long term and would run into the problem of low world prices. Contrary to government declarations, the country is not self-sufficient in food. One may question the wisdom of the strategy of creating an agri-business with modern farms owned by urban landlords. Cameroon has not used its oil revenue to tackle its agricultural and economic problems.

In politics as in economics, there is a disparity between words and actions. Biya regularly reaffirms his commitment to liberalisation but admits that vested interests make this difficult. In January he took the liberal step of vetoing a parliamentary bill designed to restrict the rights of defence in trials. At the same time he shows no sign of aiming to repeal the massive apparatus of illiberal anti-subversion laws set up by his predecessor El Hadj Ahmadou Ahidjo in the 1960's, when the country was faced with a revolt by the outlawed *Union des populations camerounaises* (UPC). There is no more talk of unbanning the UPC. It is likely that during the next scheduled elections - municipal in October 1987 and legislative in 1988 - the law will continue to exclude candidates who are not members of the ruling *Rassemblement démocratique du peuple camerounais* (RDPC).

Biya's earlier reputation as a prudent liberal has been tarnished by recent cases of brutality by the security forces. Whether or not the president is personally aware of all that is done in his name is unclear. The alternative, that the security forces are their own masters, is equally alarming. Undeniably security is getting tighter. Journalists were arrested in January and April and there are reports of teachers being arrested in the north for holding unacceptable opinions. Some of the old Ahidjo supporters arrested in 1984 are still being held without charge despite being acquitted by military tribunals. Most are held in the prison camps at Yoko, Tcholliré and Yokadouma although Suzanne Lecaille, a relative of Madame Ahidjo detained apparently as an act of personal revenge, now seems to have disappeared from the normal prison circuit altogether. Some former dignitaries convicted in 1984 such as Bobo Hamatoucour, ex-boss of the agricultural produce intervention board, and Ahmadou Bello, former chief of *Cameroon Airlines*, have been on hunger-strike in Yaoundé prison.

On the brighter side, some prisoners have been released, including UPC members arrested in 1985-6, soldiers held without trial since a lower-ranks

coup plan in 1979, and some of the 1984 prisoners who have served their sentences. A prominent case is **Tanko Hassan**, a former Douala party boss released after serving his time since 1984. There are some hopes of further measures of clemency.

Biya's sincerity about reform is now regarded with scepticism by the public. Some of the most unpopular of the Ahidjo old guard, like **Samuel Eboa**, **Youssoufa Daouda** and **Victor Ayissi Mvodo**, have got lucrative jobs in the parastatals, and **Michel Epée** has become director of a ministry.

Biya's own complex personality, which seems to have undergone a change in the last few months, is a conundrum. He has become increasingly intolerant and is cut off from impartial information and sound advice. Some say this was why he sacked **Eteki Mboumoua**, more vexed by his foreign minister's international celebrity than anxious about the conduct of relations with **Israel** and the **USA** as the official version would have it. The corridors of power echo with talk about Biya's February trip to **Baden-Baden** in West Germany. The rumour was that he had resigned in a fit of depression. The irony did not escape Cameroonians that their president should go for a foreign holiday so soon after announcing the gravity of the country's economic crisis, and that he published a book in **Switzerland** right after stressing the need to support home industries.

In the past year there has also been a rapid development of the ethnic factor in politics. The main problem is not north-south rivalry, as foreigners sometimes think, but economic competition between **Bamiléké** entrepreneurs and other groups from the south, notably the **Béti-Boulou**, the **Bassa-Bakoko**, and the **Sawa** of the coast, including **Douala**. Taking up the theme of the **Bamiléké** danger, **Mono Ndjana**, a university lecturer who is close to the government, even referred to something called 'ethno-fascism.' As always, the ethnic factor is most important in commerce and credit, ministerial and administrative appointments, the university and the private press.

Even the churches are not immune. Some priests in **Douala** have denounced a plan to introduce more **Bamiléké** into the Catholic clergy. The mastermind of this scheme is said to be **Monsignor Albert Ndongmo**, the former bishop imprisoned in 1971 for his support for the **UPC**, exiled, and then pardoned by Biya.

Douala port is now the scene of a struggle between the government and the leading **Bamiléké** businessmen who are reeling from the economic crisis and a surfeit of fiscal and customs regulations. **Bamiléké** businessmen are also finding themselves stymied by

the rise of **Indian** and **Nigerian** businessmen, who may enjoy a measure of official encouragement.

Douala is now a real metropolis, with some two million inhabitants. This has brought more urban crime. In the countryside the drive to create an agri-business has created a class of wage-labourers, and in the north a problem of rural banditry is emerging. All this must cause the government to give pause for thought ●

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SIGNIFICANCE OF CABINET RESHUFFLE EXAMINED

Nairobi THE WEEKLY REVIEW in English 5 Jun 87 pp 3-5

[Text] The cabinet reshuffle announced by President Daniel arap Moi on Monday this week is so major, that it amounts to a virtual restructuring of the government. Ten government ministries have been affected by the re-deployment of ministers, and three entirely new ministries have been created. Three new ministers and seven new assistant ministers have been named, as well as five new permanent secretaries (two re-appointed). Almost all government departments have been affected by the changes, which have increased the number of government ministries to 24; together with the three ministers of state in the office of the president, and counting the vice-president, Mr Mwai Kibaki, and the attorney-general, Mr Justice Muli, Kenyan cabinet ministers now total 28 with 50 assistant ministers. This gives the government a comfortable majority in parliament when the 10 nominated members are taken into account.

The timing of the change must be seen as significant in that the next general election is expected to be held in the near future. This is likely to be the last reshuffle before the election, and might indicate that the president is trying to spring clean his house and instil discipline within the system. If that is so, the performance of the affected ministers will be closely monitored, while the new appointees can take their postings as a mark of confidence, which will be a welcome boost when elections come round.

The new ministers, Dr Zachary Onyonka in the ministry of foreign affairs, Mr George Muhoho in the ministry of tourism and wildlife and Mr Laban Kitele in the new ministry of supplies and marketing, are all just under 50 years of age, which could be a signal that the ground is steadily being prepared for a younger cabinet. Of the three, only Onyonka can claim to be a veteran in politics, having been elected to parliament in 1969 and appointed to the cabinet the same year at the tender age of 30. His fortunes took a nosedive in 1983, however, when he was dropped from the cabinet following his arraignment in court on a murder charge arising from the shooting incident during that year's election campaign. He was acquitted after six months in custody but he found that his political clout had waned in his Kisii District and he was ousted from the Kanu branch chairmanship during the 1985 party elections. He seemed headed for political oblivion, and his reappointment to the cabinet will certainly go a long way in strengthening his hand in Kisii, and will stand him in good stead if he attempts to regain his role as the senior politician in the district.

The timing of Onyonka's appointment is also dramatic, for it comes at a time when the country is involved in a major row with its western neighbor, Uganda, and in the wake of human rights violation allegations that have tarnished the image of the country over the last few months in the capitals of its western allies. The appointment could suggest that the president has decided to look into the whole area of foreign policy from a fresh perspective.

News of the appointment of Muhoho to the cabinet came as rather a surprise: Muhoho is a fairly low-key personality and, even though he may derive political strength from his links with the

family of the late Mzee Jomo Kenyatta (who was his brother-in-law), he has always been in the shadow of the more aggressive Kiambu politicians: Mr. Ngengi Muigai of Gatundu, Mr. Njenga Karume of Kiambaa and Mr. Arthur Magugu of Githunguri. Magugu has served in the cabinet since 1979, but it is Karume and Muigai, both assistant ministers since '79, who are considered the most powerful politicians in Kiambu. By contrast, Muhoho was only appointed an assistant minister in late 1984, just a year after he first ventured into politics and captured the Juja seat. If an additional minister were to be appointed from Kiambu, the front-runners might have been expected to be Muigai and Karume, rather than the unassuming Muhoho. However, Muhoho, formerly a Roman Catholic priest, has impressive credentials of his own, and it should be expected that he will rise to the occasion in restoring the image of the ministry of tourism and wildlife, which has recently been tainted by scandal.

The other new minister, Mr. Laban Kitele, has shot swiftly up the political ladder since he was first elected to parliament in 1979 and appointed an assistant minister a year later. When he was elected Kanu national organising secretary in 1985, it seemed that a figure had emerged who could challenge the two veterans and rivals who had dominated Machakos District politics for so long, Mr. Paul Ngei and Mr. Mulu Mutisya, a cabinet minister and MP for Kangundo, and a nominated MP and Kanu branch chairman respectively. Kitele's elevation to a full cabinet post will stand him in good stead should he decide that the time is ripe for him to make his own mark and step out from

under the wings of Mutisya, with whom he has been allied in the struggle against Ngei. He will also be able to take on Ngei on a more equal footing in sending the message across that the time for the older generation to give way has arrived.

Kitele takes on the brand-new ministry of supplies and marketing, in whose structuring he will have to play a major role, an effort that will call for organisational ability from his team in the new ministry. The functions of the new ministry have not yet been clearly spelt out, although Kitele hinted on Wednesday this week that the ministry will take over the duties of the supplies department of the ministry of works, housing and physical planning, and also help in the marketing of all Kenyan products. That will include products like coffee, whose marketing is currently handled by the Coffee Board of Kenya. It is not yet known how the ministry will liaise with the departments of internal and external trade in the former ministry of commerce and industry, which has now been split into two independent ministries.

The former minister for agriculture, Dr. William Odongo Omamo, has been moved to the new ministry of research, science and technology, which has been created by taking away the department of science and technology from the ministry of education. Omamo will probably have a far less visible tenure in the new ministry. He moves away from the ministry of agriculture at a time when it has been in the spotlight over the continuing controversy in the vital coffee industry. First, Omamo came under fire from coffee growers in the middle of last year as they disagreed with his overly optimistic predictions of

a major coffee boom in the offing. The farmers were proved right when the boom turned out to be rather minor. Then, late last year, the farmers challenged the minister again over a proposed new payment system that they felt would not be beneficial to them. Omamo stood his ground for a while but then was forced to give in as the farmers, through their lobby group, the Kenya Coffee Growers' Association, threatened to withhold coffee deliveries unless the proposed system were revoked. They also gained a major triumph when they had an audience with the president where he acceded to one of their longstanding grievances about the continuing deduction of county council cess from their coffee proceeds when the cess was not directly benefiting the farmers. Then, just two months ago came Omamo's removal of Mr. Henry Kinyua and Mr. Jason Kimbui from their positions as directors of the Coffee Board of Kenya. Again, Omamo defended the decision despite vigorous protests from the coffee farmers, but he ended up embarrassed when the president directed that Kinyua and Kimbui be re-instated on the board as they were elected to represent the interests of farmers. Omamo may well be relieved to be out of the spotlight in his new ministry, but one battle the farmers will not win is in their earlier stated opposition to the government decision to disband the Kenya Planters' Co-operative Union and replace it with a new body, to be known as the National Coffee Co-operative Union. President Moi has already come out in full support of the measure, and the changeover will be overseen by the newly-appointed agriculture minister, Mr. Elijah Mwangale, whose aggressive style may make him the ideal man to handle any further problems in the ministry. Mwangale joins the ministry from the foreign office at a time when he would have been kept pretty busy handling the diplomatic rift with neighbouring Uganda, and just when talks were set to take off in Nairobi between ministers and other officials from both countries in the hope that any misunderstandings could be cleared up.

Mr. Andrew Omanga moves to the

ministry of planning and national development from the ministry of tourism and wildlife. Kenyans remember only too well that, barely three months ago, it was Omanga who was called upon to explain the circumstances under which a group of wealthy Arab tourists had been allowed indiscriminately to shoot game on the fringes of the Maasai Mara game reserve. Omanga attempted to explain the matter in parliament, but only succeeded in conveying the impression that he was covering up for shortcomings in his ministry which had led to a violation of the hunting ban of 1977. Nobody bought his story that the whole affair was a simple culling exercise and the image of the ministry of tourism and wildlife as the custodian of some of the country's major natural resources was considerably tarnished. With Omanga's exit, it may be possible to convince people that such an incident would not be allowed to recur.

Omanga replaces Dr. Robert Ouko, who moves to the new ministry of industry. Ouko was appointed to the cabinet in 1977 as minister for community affairs following the collapse of the East African Community, where he had served as minister for common market and economic affairs. In 1978, he had the portfolio of economic planning added to his ministry, and then he served as minister for foreign affairs from 1979-1983, when he was appointed minister for labour for a short spell before being transferred to the ministry of planning and national development. Ouko has thus spent a good part of his career in the planning sector, and now moves to a new ministry, whose primary function will be the implementation of many of the plans he might have been involved in drawing up.

Other ministers who have moved include Mr. Paul Ngei, who returned to his old ministry of livestock development from the ministry of water development, swapping places with Mr. Kyale Mwendwa. Mr. Peter Nyakiamo moves to the ministry of lands and settlement, replacing Mr. Eliud Mwamunga, who replaces Mr. Kenneth Matiba in the ministry of works, housing and physical planning. Matiba, in turn, replaces Nyakiamo at the ministry of

health. Prof. Jonathan Ng'eno remains in the trimmed down ministry of commerce, and Mr. Oloo Aringo in the ministry of education.

The reshuffle will be of political significance in a number of places. In the the Ukambani districts of Machakos and Kitui, there are three cabinet ministers for the first time, Kitele and Ngei in Machakos and Mwendwa in Kitui. In the past, each of the districts has had one minister. In Kisii, there are two cabinet ministers for the first time since 1983, and the appointment of Mr. David Onyancha as an assistant minister will leave his Kitutu East colleague, Mr. Abuya Abuya, a very lonely man as the only one among seven Kisii MPs without a post in the government.

The assistant ministers will not increase the total number by such a large factor. They will be replacing the two who have moved up, Muhoho and Kitele, and another two who have left the scene and not been replaced, the late Mr. Achiya Echakara, and Mr. Kimani wa Nyoike, who was sacked earlier this year. The effective increase in number of assistant ministers is thus only three. Messrs. Ndolo Ayah, Simon Misiani Gor, John Koech, Muhuri Muchiri, Josephat Karanja, Job Lalampaa and Onyancha all join the front bench for the first time.

Their appointments will not alter the geographical balance there to a great extent, although it is notable that Nairobi now has four MPs on the front benches. Of Nairobi's eight members, five of them are originally from Central Province, including the two new appointees, who join Mr. Maina Wanjigi,

the minister for co-operative development, in the government. The other Nairobi MP in the government is Mr. Philip Leakey, now assistant minister for supplies and marketing.

The appointment of Muhoho raises the number of cabinet ministers from Central Province by one, which is still far short of the number in the cabinet prior to 1983. Within Central Province politics, it raises the number of Kiambu MPs in the government to four, one less than Murang'a District, which has all its five MPs in the government. Kirinyaga District has two of its three MPs in the government, while Nyeri has two out of four but Nyandarua neither of its two. Overall, however, the nationwide geographical distribution is retained, although it goes without saying that it would be an impossible task to keep to an extant balance.

By undertaking such a major reshuffle when elections are not too far away, President Moi has sent out the clear message that he expects efficient performances from his ministers, irrespective of whether they are busy with election preparations or not. A keen observer will be able to detect whether a minister who has been switched has been promoted or demoted, and might even be able to glean an idea of the kind of people the president would like in his next administration. That no one has been dropped from the cabinet is an indication that the president would prefer to wait until after the polls before making his final choice, but the message is clear, that the business of government must go on. ■

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CABINET RESHUFFLE CREATES FIRST WOMAN PERMANENT SECRETARY

Nairobi DAILY NATION in English 2 Jun 87 pp 1, 18

[Article by Catherine Gicheru]

[Text]

President Moi yesterday created three new Ministries, appointed three new Ministers and six Assistant Ministers and named the first ever woman Permanent Secretary.

In a major Madaraka Day reshuffle, the President appointed three other new Permanent Secretaries, reappointed two others and shuffled the chairmen of five parastatal bodies. He also named a chairman to the newly instituted Kenyatta National Hospital Board.

The appointments of a new Director of Medical Services and a new Vice-Chancellor of Kenyatta University were also announced.

In the same reorganisation exercise, 10 Ministers either swapped places or were otherwise moved.

Mrs Margaret W. Githinji, until yesterday an Under Secretary in the Ministry of Commerce and Industry, became the first woman Permanent Secretary, becoming the chief executive in the Ministry of Commerce.

Of the three new Ministries, the newest, with a new Cabinet member to boot, is that of Supplies and Marketing. It will be headed by the National Organising Secretary of the ruling Kenya African National Union (Kanu), Mr Laban Kitei, who is also the MP for Iveti North.

The other new ministries are Industry, which has been hived off from the Ministry of Commerce and Industry, and is to be headed by Dr Robert Ouko, and Research, Science and Technology, whose science and technology portfolios have been taken away from the Ministry of Education. Its new Minister is Dr William Odongo Omamo.

Mr Peter Nyakiambo is the new Minister for Lands and Settlement, replacing Mr Eliud Mwamunga, who goes to the Ministry of Works, Housing and Physical Planning.

The Ministry of Health, which was until yesterday in Mr Nyakiambo's docket, has been taken over by Mr Kenneth Matiba, who until yesterday was the Minister for Works, Housing and Physical Planning.

Livestock

Mr Kyale Mwendwa, who was recently appointed Minister for Livestock Development, and Mr Paul Ngei of Water Development have swapped places.

A former Cabinet Minister, Dr Zachary Onyonka, who is the MP for Kitutu West, is the new Minister for Foreign Affairs, taking over from Mr Elijah Mwangale, who moves to the Ministry of Agriculture. Dr Omamo was until yesterday the Minister for Agriculture.

Mr George Muhoho, hitherto an Assistant Minister for Education, Science and Technology, gets a promotion as the Minister for Tourism and Wildlife, replacing Mr Andrew Omanga, who replaces Dr Ouko in Planning and National Development.

Professor Jonathan Ng'eno, who has been holding the combined portfolios of Commerce and Industry, is now the Minister for Commerce.

Mr David Onyancha, the MP for West Mugirango, has been appointed an Assistant Minister in the Office of the President. This means that unless one of the Assistant Ministers has been dropped, the Office now has four Assistant Ministers.

Died

The others are Mr Isaac Salat (Bomet), Mr Fred Kubai (Nakuru East), and Mr Ngumbu Njururi Maiyari (Mukurweini).

Mr Ndolo Ayah, the MP for Kisumu Town, becomes an Assistant Minister for Finance, replacing Mr Stephen Achiya Echakara, who died 10 days after being attacked last January.

The MP for Migori, Mr Simon Misiani Gor, is another new Assistant Minister. He goes to Water Development. Mr Abdi Ogle, who was until yesterday an Assistant Minister in this Ministry, is going to Local Government.

Another new Assistant Minister is Mr John Kipsang arap Koech, the MP for Chepalungu, who joins the Ministry of Transport and Communications, to replace Mr Seth Lugonzo, who moves to the Ministry of Agriculture.

The other Assistant Minister in the Ministry of Transport and Communications is Mr Matere Keriri.

Mr Francis Thuo, the MP for Kigumo, moves to the Ministry of Education, replacing Mr

Muhoho, the new Minister for Tourism and Wildlife. Mr Thuo was until yesterday an Assistant Minister for Planning and National Development.

The other Assistant Minister for Education is Mr Wilberforce Kisiero, who moves from what was until yesterday, the Ministry of Commerce and Industry.

Mr Ngengi Muigai, who until yesterday was an Assistant Minister for Health, replaces Mr Julius Muthamia as an Assistant Minister for Agriculture. Mr Muthamia takes over as the Health Assistant Minister.

Mr Godfrey Muhuri Muchiri, the MP for Embakasi, is a new Assistant Minister. He takes over at Works, Housing and Physical Planning from Mr Kitele, who joins the Cabinet.

Mr Stanley Metto, the MP for Mosop, who was an Assistant Minister for Education, Science and Technology, goes to Labour to replace Mr Kimani Wanyoike, the MP for Nyandarua South, who was dropped recently and whose political career depends on the outcome of a June 9 meeting of the Kanu National Disciplinary Committee to discuss allegations levelled against him.

Dr Josephat Karanja, the newly elected MP for Mathare who was Kenya's first High Commissioner in London before becoming the first Kenyan Vice-Chancellor of the University of Nairobi, is now an Assistant Minister in the newly created Ministry of Research, Science and Technology.

The MP for Lang'ata, Mr Philip Leakey, until yesterday an Assistant Minister for Environment and Natural Resources, moves to Supplies and Marketing.

The reshuffle also affected Permanent Secretaries. The new Permanent Secretary in the Ministry of Energy and Regional Resources is Mr C. N. Mutitu, who was, until yesterday, the managing director of the Tana and Athi Rivers Development Authority (TARDA). Mr Mutitu is a former director of Water in the Ministry of Water Development.

Moves

Mr B. E. Mwangi, who was lately the Permanent Secretary in the Ministry of Energy and Regional Development, is now a Permanent Secretary in the President's Office and Director of Personnel Management. He replaces Mr Peter Munene, who moves to Lands and Settlement, where he was a few months ago.

Mr Z. Kamencu, who has been High Commissioner in Australia

and New Zealand, replaces Mr Japhet Kiti as the Permanent Secretary in the Ministry of Water Development. Mr Kiti moves to the new Ministry of Supplies and Marketing.

Mr David Namu moves back to the Ministry of Agriculture, a position he held a few months ago when he was appointed the Director of Parastatals.

Prof Peter Gacii, who has been vice-chancellor of Kenyatta University is now the Permanent Secretary in the Ministry of Industry. He is succeeded at the University by Professor P. Githinji who has been principal of the College of Architecture and Engineering at Nairobi University.

Mr J. K. Ndoto, the Permanent Secretary in the Office of the President in charge of Defence, moves to the Ministry of Tourism and Wildlife.

He replaces Mr Aaron Kandie, who has been shifted to the Ministry of Labour as Permanent Secretary to take the place of Mr J. A. Gethenji. Mr Gethenji's fate was not known as we went to Press.

The Permanent Secretary in the newly created Ministry of Research, Science and Technology is Dr Wilfred Karuga Koinange, who has been the Director of Medical Services for many years. Dr Thomas Ogada takes over as Director of Medical Services.

Mrs M. W. Githinji, who has been an under-secretary in the former Ministry of Commerce and Industry, becomes the first woman Permanent Secretary in Kenya.

She had been posted to the Ministry of Commerce to replace Mr Reginald Ujey whose fate was also unknown yesterday.

In the parastatals, Mr Isaac Lugonzo, chairman of the Kenya Power and Lighting Company, becomes the new chairman of Agricultural Development Corporation replacing Mr Lawrence Sagini, who moves to the power corporation.

Mr Nick Muriuki, former general manager of Shell Company, is the new chairman of the newly formed autonomy board of Kenyatta National Hospital.

Mr Solomon Karanja, who had been chairman of East African Portland Cement Company, is now chairman of the National Bank of Kenya Limited.

The new chairman of Kenya Oil Refineries — formerly East African Oil Refineries — is Dr Muriuki, who replaces Mr Mwangi Maathai.

Mr J. M. Kamunge, who has been replaced by Mr Namu as Permanent Secretary in the

Ministry of Agriculture, becomes the chairman of the Presidential Working Party on Education and Manpower Training in the Next Decade and Beyond, replacing Mr Kyale Mwendwa.

Mrs Githinji yesterday thanked the President for appointing her as the new permanent secretary in the Ministry of Commerce.

She said in a statement: "I am very grateful to the President for appointing me as a Permanent Secretary in the Ministry of Commerce, indeed, the first woman Permanent Secretary.

"I would like to take this opportunity to pledge once again my loyalty to him, the Government and to the party, Kanu. I shall continue to serve the nation with dedication as I have done in the last 19 years that I have been in the civil service.

Mrs Githinji, a mother of four, was educated at the Africa Inland Mission, Kijabe, Alliance Girls High School in Kikuyu and the University of Nairobi.

She learnt of her appointment from the 6 p.m. VoK news bulletin to which she was listening with her daughter.

When the *Nation* called on her, she beamed: "I am surprised.

We did not talk about it since there could be another Mrs Githinji. But later on, my full name was read and I confirmed that it was me! I really thank the President for it".

The new Minister for Tourism and Wildlife, Mr George Muhoho, also expressed gratitude to President Moi.

"I want to renew my total loyalty to the President and assure him of my devoted service as a Minister in his Cabinet. My joy is shared by both my family and all the people of Juja constituency".

He declared in a telephone conversation: "I will never betray the trust and confidence bestowed upon me by the President."

President: Daniel Toroitich arap Moi.

Vice-President and Minister for Home Affairs: Mwai Kibaki.

Minister for Finance and Planning: Prof George Saitoti.

Minister for Co-operative Development: Maina Wanjigi.

Minister for Agriculture: Elijah Mwangale.

Minister for Livestock: Paul J. Ngei.

Minister for Culture and Social Services: Henry Kosgey.

Minister for Information and Broadcasting: Katana Ngala.

Foreign Affairs: Dr Zacharia Onyonka.

Land and Settlements: P. C. J. O. Nyakiamo.

Water Development: Kyale Mwendwa.

Local Government: Moses Mudavadi.

Education: Oloo Aringo.

Tourism and Wildlife: George Muhoho.

Energy and Regional Development: Nicholas Biwott.

Commerce: Prof Jonathan K. Ngei.

Planning and National Development: Andrew Omanga.

Health: Kenneth Matiba.

Ministry of Works, Housing, and Physical Planning: Eliud Mwamunga.

Labour: Peter Okondo.

Ministry of Industry: Dr Robert Ouko.

Transport and Communications: Arthur Magugu.

Minister for Research, Science and Technology: William Odongo Omamo.

Environment and Natural Resources: Jeremiah Nyagah.

Minister for Supplies and Marketing: Laban Kitele.

Ministers of State in the Office of the President: (1) Justus ole Tipis (2) Jackson Angaine (3) Hussein Maalim Mohamed.

Attorney-General: Matthew Guv Muli.

FINANCE MINISTER DELIVERS BUDGET SPEECH

Nairobi DAILY NATION in English 12 Jun 87 pp 5-7, 12

[Article by Gichuru Njihia]

[Text] The Minister for Finance, Professor George Saitoti, told Kenyans in his Budget speech yesterday that in order to sustain healthy economic growth, close co-operation and mutual confidence must be maintained between the Government and the business community at home and abroad.

Prof Saitoti said multilateral and bilateral institutions which assist Kenya in its development efforts, must also co-operate.

The Minister said while delivering his K2,405 million budget that Kenya's economic prospects for 1987 were promising despite some relative factors.

The minister lowered the lending rate by non-bank financial institutions from 19 to 18 percent with effect from yesterday, but the other interest rates remained unchanged.

The budget also included the promotion and the expansion of Jua Kali enterprises and the creation of a new fund to be known as the District Development Fund to stimulate agricultural growth.

He also removed 11 items, price control pledged to stimulate growth of market centre and to improve on the control, supervision and regulation of banks and financial institutions.

Prof Saitoti imposed conditions to govern building societies. These include ensuring that advances made by the societies are secured. The Treasury would be the licensing authority, the Central Bank, the supervising authority, and that the minimum capital required to start one would be raised to Sh100,000 from Sh10,000.

The appointment of auditors by the societies would be subject to the Central Bank's approval.

He said in the two hours budget proposal speech, that all Kenyans now appreciated the fact that economic development could only be achieved in an atmosphere of political and social stability.

It was for this reason, he said, that he had to call on all MPs to join him in expressing their deep gratitude to the President for the manner in which he conducts the country's affairs.

Kenya, he said, should be able to achieve its social and economic goals guided by the President's personal examples and philosophy of peace, love and unity.

"I am sure I speak for all MPs in stating that we should all resolve collectively and individually to support the President's efforts," he said.

"If these targets are going to be achieved, we need to establish and maintain close co-operation and mutual confidence between the Government, the business community in Kenya and abroad and the multilateral and bilateral institutions which assist us in our development efforts."

Prof Saitoti said the world economy often affected economic variables in developing countries such as Kenya in various ways.

"In 1986, this was especially true. The year was marked by large swings in key world prices, especially in the price of petroleum products in the exchange rates between major countries," he said.

The price of petroleum, the most important price in world trade, fell by about 60 percent between 1985 and August 1986.

By early this year, the Minister said, oil prices had rebounded to around \$18 a barrel, which was still 40 percent below the 1985 level.

"It is our expectation that oil producing countries would continue to meet their increasing demand from expanded output and that oil prices may be maintained at this level, at least, for several months."

As a result of good weather, the economy grew by five per cent because the farmers enjoyed good harvests, especially in the maize crop and high coffee prices.

He said manufacturing value added expanded by almost six percent in 1986, while almost four percent were created in the sector, the sector [as published].

The Government's fiscal performance in the year reflected both a surge in the economy and the impact of the country's development policies.

The Minister mentioned three events in the world economy that propelled Kenya's economy to its best performance.

Brazil's drought, he said helped raise the average Kenya coffee price by 22 percent. The suspension of quotas enabled Kenya to expand its exports by 21 percent. The fall of petroleum prices enabled Kenya to spend 45 percent less oil imports in 1986 than in 1985.

Prof Saitoti said last year's wage employment expanded by four percent. On the average, wages were higher, increasing by three percent more than consumer prices. Since 1980, wage employment had been growing at 3.3 percent a year.

The Minister said inflation fell by about 5 percent in 1986. This was the lowest rate in the past 13 years.

The value of horticultural exports was 34 percent higher in 1986 than in 1985, while manufactured goods grew by almost 30 percent.

Prof Saitoti said the buoyancy of the economy was the private sector imports, which expanded by over 10 percent with inputs growing by about 25 percent.

Although the economic prospects were promising, the Minister said, petroleum prices were likely to be higher this year. The prices of primary commodities would not be dramatic.

The minister said Kenya needed more dynamic small towns to complement the growth of agriculture, which would depend on active market centres.

He said the Government would establish a new fund that will finance essential packages of investments in designated rural trade and production centres.

The fund would become effective on July 1.

The following is that section of the Minister's speech dealing with revenue generation.

Taxation Proposals

Mr Speaker, I have already briefed the House on the international economic situation, the debt crisis facing sub-Saharan Africa, the state of our economy and the policies we intend to pursue to maintain sustained growth. I have also indicated that I have a financing gap of KSh35.2 million. I now turn to my taxation proposals, and as usual, I would ask Mr Speaker Sir, that the rest of my speech be regarded as notice of a motion to be moved before the Committee of Ways and Means.

Customs Tariff

The Finance Bill published today contains substantial amendments to the Customs and Excise Act. Before drawing the attention of the House to the most important of these changes, let me first deal with a few technical and procedural matters. The Bill contains amendments to the Customs and Excise Act intended to rectify typographical errors and omissions.

It also contains amendments to streamline and harmonise tariff and statistical codes in accordance with the recommendations of the Customs Co-operation Council. Most important, it has been deemed necessary to classify fertilisers by their types so as to enable the Ministry of Agriculture keep track of the availability of various types of this essential agricultural input.

Mr Speaker, I would now like to turn to those amendments which have revenue implications.

First, subsections 12(1)(a) to (g) of the Act contains a list of goods which are deemed to be under and subject to customs control. As provided under subsection 12(2)(b), such goods must not be interfered with by any unauthorised person.

Interfering with the listed goods include converting of transit goods to home use without authority and consequently without payment of duties. It also includes diversion of warehoused goods for home use instead of transporting them to the bonded warehouse nominated and declared as a warehouse for the storage of such goods.

Where a person is found guilty of such misdemeanor; the goods, if found, are seized and forfeited by virtue of subsection 12(4). However, this subsection does not provide for a specific penalty which may be imposed against the culprit.

Mr Speaker, offences of this nature are detrimental not only to revenue but also to our industrial development and would appear to be on the increase. In order to discourage this kind of smuggling, I am proposing to amend the law to provide that, over and above the forfeiture of the goods, the culprit will be liable to imprisonment for a term of three years or to a fine of one hundred thousand shillings or to both such fine and imprisonment.

Second, the department has had disputes with the Kenya Ports Authority and the owners/ agents of imported goods arising from delays occasioned by the department and thereby causing liability to demurrage or storage charges which are collected by Kenya Ports Authority.

Delays on the part of the department may be caused by:

- (a) Entries being referred to senior officers for classification and duty rates.
- (b) Samples being referred to laboratories for identification.
- (c) Full examination of containers.
- (d) Inadvertent misplacement of entries.

Where delays in clearing and delivering goods out of port area is due to customs, an appropriate endorsement is made on the reverse of the Port Release Orders and the Customs Import Entries by the proper customs officer. This endorsement is meant to relieve the owner from penalty for delays attributable to the department.

However, where Kenya Ports Authority rejects these endorsements, the owners have turned to customs for refund. In order to protect revenue, I propose to amend section 26 to provide that no such refunds shall be effected by the department.

Third subsection 46(1) provides for an initial period of warehousing of warehoused goods as one year. It also provides a re-warehousing entitlement once only unless the Minister otherwise directs. It is not clear whether the period of rewarehousing is one year.

Since the period of rewarehousing has not been specified, there is an ambiguity over the length of period of rewarehousing. It is, therefore, proposed to remove this ambiguity by providing that the period of rewarehousing shall be one year or such longer period as the Minister may direct.

Fourth, section 123 of the Act provides that "if any practice of the customs relating to the classification or enumeration of goods for the purposes of liability to duty is altered with the result that less duty is thereafter charged on goods of the same class or description, no person shall become entitled to a refund of any duty paid before the alteration took effect."

On the other hand, section 146(1)(b) empowers the commissioner to grant a refund of any duty which has been paid in error. Section 123 may thus be used to bar affected importers from claiming and being granted refund of duty. However, such action may well be disputed in court by virtue of section 146(1)(b).

In order to clarify the circumstances under which section 123 will apply, and therefore protect revenue, I propose to reward the law to provide that section 123

will only apply where the practice of Customs has been approved by the commissioner or where it arises as a result of a ruling by the Customs Co-operation Council.

Fifth, I have already emphasised the importance of industrial development to our economic growth and indicated some of the incentives we are according this sector to boost its growth. As an additional incentive, I propose to reduce the rate of duty on industrial capital machinery by five percentage points.

Since the rates of duty on capital machinery vary between (20-45) per cent, the overall average reduction will be (11-25) per cent of the current rate. I hope that industrialists will take advantage of this reduction in duty to expand domestic manufacturing.

Sixth, last year, I removed duty on capital machinery for small-scale industries located in the rural areas where the cost of such machinery does not exceed Sh5 million. During the implementation of this exemption, and because of the appreciation of foreign currencies, it has become clear that the ceiling of Sh5 million is far too low for these small-scale industries. I have, therefore, doubled this ceiling from Sh5 million to Sh10 million.

Seventh, when duty reductions were effected over a wide range of raw materials during (1983-85) the textile sector was not affected. This sector was skipped because there was an on-going study to evaluate its competitiveness. Although I am informed that the sector is fairly competitive domestically because of the large number of industries involved, I propose to reduce duty on some of their imported yarn by 5 percentage points in order to make these industries more competitive internationally.

Eighth, early this year, the Government decontrolled the price of meat across the nation on the grounds that there is adequate competition in livestock production and marketing. This fact has been borne out by the fact that there has been very little increase in the price of meat after the decontrol.

As the population grows and encroaches on marginal lands, there will be increased demand for zero grazing on small holdings. Hence the increasing demand for manufactured animal feed.

In order to boost animal production, I propose to remove duty on premixes and oil cake used as raw materials for the production of animal feed. As a result of this

measure, I expect manufacturers of animal feed to pass on the benefit to the consumers by way of reduced prices.

Ninth, pencil lead is currently dutiable at the rate of 80 per cent. I have received complaints from local manufacturers of office and school pencils to the effect that this rate of duty is too high for a raw material. I have considered their case and I am now reducing the rate of duty from 80 per cent to 25 per cent.

Tenth, one of the items produced locally in large quantities is ceramic wares. In spite of the low domestic prices, some individuals with a high taste for imported goods continue to pester the Government to authorise importation of ceramic wares. In order to discourage such luxurious importation, I propose to raise duty on ceramic tiles, tableware, and other ceramic articles of adornment by (20-100) per cent.

Eleventh, currently, returning residents are allowed to import one passenger duty-free car provided that the person has owned and used the car outside Kenya for at least 12 months. In view of the very high cost of big passenger cars, some people have abused this privilege by asking Kenyan students overseas to buy these cars, keep them for one

year and bring them to Kenya duty-free under the pretext that they are theirs.

Thus, although there are numerous large passenger cars on our roads, there is hardly any tax paid on them. In order to ensure that the Exchequer gets a fair share of the price of these cars, I propose to amend the law to provide that, returning residents will only be allowed to bring back duty-free passenger cars whose capacity does not exceed 2000cc.

Where the engine capacity exceeds 2000cc, the returning resident will be required to pay duty on the difference between the assessed value of the car and Sh40,000. If the assessed value of the car is Sh40,000 or less, no duty shall be payable.

Twelfth, last year, I removed duty on agricultural sprayers in order to boost agricultural production. I am now informed that this measure was not as effective as it was intended because most agricultural sprayers are manufactured locally and their raw materials are dutiable.

Therefore, in order to attain my original objective, I propose to remove duty on raw materials used for the manufacture of sprayers. It is my hope that manufacturers of this important agricultural tool will now pass on the benefit of this duty removal to farmers by way of reduced prices.

Thirteenth, for some time now, pharmaceutical manufacturers have been enjoying duty-free imports of raw materials for the manufacture of drugs. I have received complaints that some of the companies enjoying this privilege are not drug manufacturers anymore and that some of the items in the eligible list are not raw materials. In order to protect revenue, I have today published a fresh list of the eligible manufacturers and the raw materials.

Finally, customs agents licence fee. These are the fees paid by clearing and forwarding companies for their annual licence. These licence fees were last increased some three years ago and maybe this is the major reason for the increased number of applications being received by the department annually.

In order to maximise revenue collection, I propose to double the fees from Sh5,000 to Sh10,000 for renewal of a licence and from Sh2,500 to Sh5,000 for late applications.

Mr Speaker, the measures I have announced in customs tariff will cost the Exchequer some K£2.58 million in lost revenue.

(b) Excise Tariff

Mr Speaker, I would now like to turn to excise tariff where I

have only one change to make on cigarettes and tobacco. I have annually emphasised the need to maintain revenue from these luxurious items in line with the rate of domestic inflation. I have also indicated that the rate of inflation last year was very low.

In consideration of these two factors, I propose to raise the levels at which current rates of excise apply by an overall weighted average of 10.8 per cent. This will have the effect of increasing the price of some popular brands of cigarettes such as Ten Cent and Score by 50 cents per packet; Rooster by 55 cents per packet; and the more elite brands of Sportsman, Embassy and State Express by Sh1 per packet.

This measure on excise tariff will take effect from midnight tonight and will provide the Exchequer with an additional K£6.60 million in revenue.

(c) Local Manufactures (Export Compensation) Act

Mr Speaker, subsection (1) (b) of the Act provides that no compensatory payment shall be made in respect of the exportation of any eligible goods before foreign currency due in respect of such exportation has been received in Kenya by an authorised dealer.

This provision, therefore, precludes exporters under the Preferential Trade Area Agreement or any other bilateral agreement between the Government of Kenya and any other government from qualifying for compensatory payment in respect of eligible goods on the grounds that foreign currency due is not receivable by an authorised dealer.

It is for this reason that we have been unable to pay export compensation to exporters of eligible goods to Uganda under the settlement of assets and liabilities of former East African Community where Kenyan goods exported to that country are paid for in Kenya shillings.

This does not appear equitable and I am, therefore, amending the Act to provide that where eligible goods are exported under a bilateral agreement between the Government of Kenya and any other government, then compensatory payment may be effected irrespective of whether foreign exchange has been received by an authorised dealer.

(d) Export Duty

Mr Speaker, I would now like to turn to Export Duty where I have two changes to make. First, rates of export duty on coffee and tea have not been changed for a number of years. During this period, farmers have complained

to Government that the prices of agricultural inputs have risen considerably and we have, therefore, been taxing their costs in production of tea and coffee.

I have considered their case and, in order to give them some respite, I propose to raise the export duty threshold, i.e. the level at which tax starts to apply from K£1,000 per ton to K£1,200 per ton. Therefore, where the price of coffee or tea does not exceed K£1,200 per ton, then no export duty will be charged. This measure will give the producers of these two commodities some K£5.17 million in additional income which would have otherwise gone to the Exchequer.

I hope this additional income will be judiciously used by these farmers to improve the welfare of their families whose sweat is the major factor of production of these crops.

Second, there are a number of raw materials which are produced or are available locally yet they are not available to our domestic users. These materials are exported by our local producers only to be re-imported by domestic users. These materials include wattle extract principally used in the tanning industry, and iron and aluminium scrap used in the manufacture of reinforcement steel and window frames.

In order to discourage the exportation of these materials, I propose to impose an export duty of 5 per cent on these items. This measure will provide an additional K£2.37 million in revenue.

Taken together, these measures on export duty will cost the Exchequer some K£2.80 million.

(e) Sales Tax

Mr Speaker, I now turn to Sales Tax. First, Regulation II of the Sales Tax Regulations gives tax remission on goods distributed free as advertising material. Some manufacturers have used this provision to avoid payment of tax where advertising companies have placed orders for manufacture of goods printed with advertising messages.

Though the printers are actually paid, they have refused to pay tax on the grounds that the material is free of tax by virtue of this regulation.

In order to protect revenue and seal the loophole, I propose to amend the regulation to require the manufacturer to seek authority in writing, prior to manufacturing any advertising material which is non-taxable.

Second, section 17(2) of the Act provides that taxable goods

imported by land from Uganda or Tanzania should be produced by the importer, to the nearest customs office to the point of entry and any importer who fails to do so shall be liable to imprisonment of up to five years and a fine of Sh50,000. This provision was intended to prohibit smuggling of goods within the former East African Community.

However, it is common knowledge that a lot of goods are smuggled by land from our other neighbours. In order to remove this discrimination and further deter smuggling, I propose to amend the law to include all goods imported by land and double the level of penalty to Sh100,000.

Third, taxation of passenger cars. Last year, the Government undertook to review the taxation of small passenger cars with the view to making them affordable by the middle income families. I am glad to report that Treasury has now examined sympathetically this important issue and, although the major cause of passenger car price escalation is the appreciation of the currencies of our major trading partners, I propose to reduce the rate of tax on all passenger cars by between (15-25) per cent.

Therefore, with effect from midnight tonight, the rate of sales tax on passenger cars with an engine capacity not exceeding 1200 c.c. will be reduced from 40 per cent to 30 per cent; exceeding 1200 c.c. but not exceeding 1500 c.c. from 50 per cent to 40 per cent; exceeding 1500 c.c. but not exceeding 1750 c.c. from 65 per cent to 55 per cent; exceeding 1750 c.c. but not exceeding 2000 c.c. from 100 per cent to 85 per cent; exceeding 2000 c.c. but not exceeding 2250 c.c. from 230 per cent to 195 per cent; and exceeding 2250 c.c. from 400 per cent to 34 per cent.

Mr Speaker, this is a major tax reduction. And while on this subject, I would like to inform motor vehicle assemblers that the public is becoming increasingly concerned about the high prices of locally assembled vehicles. Although I appreciate there are limited economies of scale due to the small number of vehicles assembled, I would nevertheless exhort them to improve their efficiency with the view to benefiting the consumer and the country at large.

Fourth, jewels. Mr Speaker, jewels and other precious metals are normally used in this country as a vehicle to circumvent foreign exchange control regulations to

take money out of the country. It is for this reason that it is very difficult to tell the difference between the miner, the manufacturer, the wholesaler and the retailer of jewels.

Consequently, and although it is well known that dealing with jewels is a very lucrative trade, it has proved difficult for the Commissioner of Sales Tax to register any manufacturer of jewels as a taxpayer. Every time that he tries to register a jeweller as a manufacturer, the jeweller argues that he is a retailer and in any case he does not sell more than Sh200,000 worth of jewels per annum. This is obviously a cunning way of avoiding tax.

In order to close this loophole, I am amending the law to redesignate jewels as goods on which tax will be paid by dealers at all levels — mining, manufacturing wholesaling and retailing. Therefore, effective from midnight, all dealers in jewels will be required to register with the Sales Tax Department as taxpayers.

Fifth, petrol: Mr Speaker, those who have been following me closely will have noted that I have given away substantial revenue on passenger cars. In order to compensate the Exchequer for the revenue lost, I propose to raise tax on premium and regular gasolines by 40 cents and 30 cents per litre respectively. Since most public transportation is diesel propelled, this increase should not affect bus fares. Neither should it affect agriculture and manufacturing industries.

Sixth, beer. In spite of the fact that our beer is one of the best in the world, its price is still very low compared to beer prices worldwide. I am also told that, following the closure of off-licences late last year, bar owners are making substantial profits.

In view of these factors, it is only fair that the Exchequer should maintain its share of the soaring profits in this industry. Consequently, I propose to raise the current rate of sales tax on beer by 80 cents per litre.

In addition, Kenya Breweries have applied to me for a price increase of 20 cents per bottle occasioned by increased costs of plant maintenance and a planned price increase to barley growers. I have carefully evaluated their request and it is justified.

As a result of these two factors, the price of beer will go up by 60 cents per half litre bottle with *pro-rata* increases in other sizes with effect from midnight tonight.

Seventh, soda. The price of this

beverage has not been increased over the last one year in spite of the fact that the price of sugar was raised early this year. As a result of increased sugar prices, soda manufacturers have applied to me for a price increase. I am awarding the requested price increase and, considering the benefits which I shall give to taxpayers later, I have decided to increase rate of tax on soda by (16-20) per cent of the current rate.

In view of these two factors, the price of soda will go up by 20 cents per bottle with effect from midnight tonight.

Finally, baby food. I have received complaints from working mothers to the effect that the cost of baby food has been rising considerably in recent years due to the sales tax of 17 per cent imposed on food mix for the manufacture of infant milk. In order to ease their burden, and in cognizance of H. E. the

President's unequivocal love for children, I propose to remove tax on this product to ensure that these mothers bring up healthy children.

Taken together, the measures I have announced today on sales tax will bring an additional KES3.90 million in revenue.

(f) Income Tax

Mr Speaker, I would now like to turn to income tax where I am proposing major changes.

First, personal taxation. Some people have been heard to comment that Kenya is one of the most highly taxed countries. Whether this is true or not I would not like to say. I do know, however, that people who make this claim refer to our individual top tax rate which is 65 per cent. Unfortunately, no credit is given for the spread of the tax brackets and the frequency with which these are reviewed. It is pertinent to point out here that, such an exercise was carried out only two years ago when I reduced the personal taxation by widening tax brackets by KES300.

However, there is now a world-wide consensus on the economic desirability of tax reform and reduction, and in particular the reduction of income tax. Lower rates of tax provide personal incentives and stimulate enterprise, which in turn is the only way to better economic performance. And it is only by improving our economic performance that we will be able to afford to spend; only by improving our economic performance will we be able to create jobs on the scale that we all want.

I, therefore, propose to lower the top tax rate by a full 15 per cent from 65 per cent to 50 per cent. I believe this measure will now classify Kenya in the category of normally taxed countries.

Mr Speaker, it is my hope that by lowering the top tax rate, individuals in the top tax brackets will no longer spend their energies seeking legal ways to avoid taxes, or worse still, illegal ways to evade paying taxes. Those energies previously devoted to devising and operating tax schemes should now be diverted to economically productive activities. The lower tax rate should encourage work effort and more investment thus creating the right climate for greater economic growth which will benefit all of us including revenue itself.

Second, I have good news for the small taxpayers. I have decided that in view of the rising cost of living, time has now come to raise the point at which an individual taxpayer starts to pay tax. These points will be raised by at least 33 1/3 per cent throughout as follows.

- (i) Single individuals from Sh720 to Sh960 per year.
- (ii) Married individuals from Sh1,800 to Sh2,400 per year.
- (iii) Single person supporting a child from Sh820 to Sh1,200 per year.

In other words, an individual who is single will pay no tax unless he earns Sh800 per month or more and a married man will pay no tax unless he earns Sh2,000 per month or more. For the single parent supporting a child, no tax will be due unless he earns Sh1,000 p.m.

The most remarkable feature of this measure is that it will release a total of 140,000 low income earners from taxation altogether. This is, indeed, a major gesture which should considerably improve the standard of living of this important section of our society.

Third, a further measure to take care of the low income groups will be bracket widening. I propose to widen the brackets by 10 per cent throughout. A similar measure was carried out in my budget speech of 1985. Everyone has consequently paid less tax in 1986 and 1987 and now everyone will pay even less tax from 1988 onwards.

Fourth, as these measures will result in every considerable loss of revenue, I am duty bound to find means by which I can recoup some of it back. I find this in the under-valuation of employer

benefit schemes which are now proliferating in this country.

Given that these benefits are typically provided to top executives, the under-valuation of benefits provided a very generous tax relief to these high income earners. It is estimated that for each high income earner, the next relief could be costing the Treasury anything between £2,000 and £5,000 which is both costly and highly inequitable.

I am aware of the fact that the Commissioner of Income Tax uses a system of fixed benefit rates which he publishes from time to time to tax employee benefits. I also know that there was a general increase of valuation last year. However, these increases were minimal, half-hearted and far from the true value that should be placed on them.

Fifth, provident fund executive schemes. Any tax agency worth its salt must be on the lookout at all times for any tax schemes devised by taxpayers to minimise tax by unfair means. The Income Tax Department has identified avoidance schemes in the form of short-term provident funds whose principal aim is not to provide a lump sum payment to junior employees on retirement, but to provide tax free remuneration, on the side, to the highly paid company executives.

These provident fund tax avoidance schemes have considerably expanded in the last three years. They all seek to exploit the difference between the 45 per cent company rate of tax and the 65 per cent top individual rate of tax.

With the introduction of a much lower individual top tax rate of 50 per cent these schemes should lose their attraction but, just in case they do not, I propose to amend the law to provide that the employees will be taxed on the employer's contribution to such a fund, unless the provident fund is first registered with the Commissioner of Income Tax.

Sixth, withholding tax on interest. Professional bodies in Kenya have advised me constantly that I should opt for more and more forms of withholding taxes. Apart from improving tax compliance, withholding taxes also accelerate Government cash flow. They have the advantage of collecting tax when money is available so that it is a less painful form of tax payment.

I have accepted this good advice, and this year, I propose to add to withholding taxes currently in operation in Kenya, a withholding tax on interest, paid by banks, financial institutions

and building societies.

The income tax law will be widened to require banks, financial institutions and building societies to withhold tax at the rate of 10 per cent payment of any interest, to any person, resident in Kenya.

It should, however, be noted that there will be two applicable withholding tax rates on interest — a resident rate of 10 per cent and non-resident rate of 12.5 per cent and the banking system have a duty to distinguish them.

I would like to emphasise that banks, financial institutions and building societies will be required to remit all withholding tax deducted from their customers to the Commissioner for Income Tax at the end of every month.

No further details will be called for as far as withholding tax on interest is concerned. I must emphasise here that, under no circumstances should these institutions use these funds for trading. The funds constitute Government revenue which will be due and payable, and should be strictly treated as such.

Mr Speaker, interest income paid to banks, financial institutions, and building societies, engaged in the business of borrowing and lending money will not be subject to the withholding tax, so that, for them they will return their business income at the end of the year in the usual manner.

As usual with all forms of withholding taxes, banks, financial institutions and building societies will be required to give a certificate to the person whose interest has been subject to the tax indicating the gross and the amount withheld.

Interest income which is exempt from tax will not be subject to withholding tax. Person holding accounts which are tax exempt will have to obtain certificates to this effect from the Commissioner of Income Tax to authorise the bank, financial institutions or building society concerned not to withhold tax. The decision to introduce withholding tax on interest has necessitated a re-appraisal of the tax exemption status of Housing Development Bonds interest. The decision reached was that there was no longer a justifiable reason for its full exemption and that interest on Housing Development Bonds should also be subject to withholding tax at 10 per cent. Unlike the other forms of interest, however, Housing Development Bonds interest which qualified for tax exemption previously will

now bear this as the final tax. This means that after the withholding tax at 10 per cent, that interest will not be subject to further tax on the gross amounts.

The new tax comes into effect from midnight tonight.

Seventh, investment deductions. For many years now, Kenya industrialists have complained that it is unfair to give investment deductions to encourage the building of factories only outside the municipalities of Nairobi and Mombasa. The argument has been that any investment anywhere in Kenya is good investment for Kenya's development and none should be discouraged.

The strategy was developed a decade ago when it became obvious that manufacturing industries set up in Nairobi and Mombasa were straining the resources of those two municipalities sometimes to a breaking point. In any case it remains Government policy to encourage district focused development for many other economic reasons.

However, I have some sympathy with the argument that rather than abolish investment deduction from the two main municipalities altogether, we should give recognition to all investment regardless of where it is located and discriminate in favour of those industries that are set up in the other municipalities and towns.

The Finance Bill, therefore, contains a clause to re-introduce investment deductions within the municipalities of Nairobi and Mombasa. The deduction will, however, be at the rate of 10 per cent of new investment while the rate outside the two municipalities will be increased from 50 per cent to 60 per cent.

Finally, provisional tax payment. For some time now, I have been considering whether time has not come when businesses should be made to pay taxes within the year of income. After all individual taxpayers pay their taxes by PAYE throughout the year so why not businesses?

However, I wish to give this matter further thought but I would like to know that time must come when Kenyan businesses will have to pay tax by instalments as it is done in many other parts of the world today.

In the meantime, I propose to amend Section 95 of the Income Tax Act to require a large measure of accuracy in the provisional return. Businesses have tended to pay only 80 per cent of the true liability because of the permitted error margin of 20 per cent in the

provisional estimate.

I propose to amend the law to require a minimum of 90 per cent accuracy allowing only 10 per cent margin of error in the provisional estimate.

Mr Speaker, the foregoing measures on income tax are obviously generous and, considered together, they will provide me with an additional revenue of K£700 million.

(g) Insurance

Mr Speaker, I am informed that in spite of the phenomenal growth taking place in the insurance industry, the Exchequer is not getting its fair share of this growth.

Currently, the only direct share that Exchequer gets from the industry is the Sh4 stamp duty charged on each insurance policy issued. Honourable Members would agree with me that this is a very small sum compared to other direct charges imposed under various Acts on goods and services.

In order to be more equitable, I have today published the Insurance (Amendment) Bill which introduces a tax on insurance premiums to be known as "premium tax" and which will be charged at the rate of one per cent of the gross direct premium written by all insurers registered or authorised to undertake business in Kenya. The tax shall be payable monthly to the Permanent Secretary to the Treasury by banker's draft submitted through the Commissioner of Insurance.

This measure will provide the Exchequer with an additional K£1.60 million in revenue.

(h) Miscellaneous Taxes/Fees

Mr Speaker, along with the foregoing taxation measures, I have also reviewed miscellaneous taxes affecting betting, lotteries, gaming and hotel accommodation. Accordingly, tax on a bet placed with a bookmaker will be raised from 10 per cent to 12.5 per cent with that on the turnover of the bookmaker rising from 2.5 per cent to 3.5 per cent.

Similarly, casinos will be subjected to licence fees ranging from Sh50,000 to Sh150,000 depending on the number of tables, while licence fee for national or public lotteries will be raised from Sh10,000 to Sh20,000.

Finally, the rates of hotel accommodation tax will be raised from 15 per cent to 17.5 per cent for bed and breakfast while that of full board will be raised from 10 per cent to 12.5 per cent.

These measures will give an additional K£1.58 million to the Exchequer.

Conclusion

Mr Speaker, the main thrust of today's budget has been to

address the fundamental issues relating to the the nation's economic well-being. In this context, not only have I highlighted the past economic events but have laid a firm base on which to construct a stable and prosperous future. I have reaffirmed Government's commitment that the resources that are to be utilised will be carefully managed to attain that desirable goal. More importantly, I have described the economic recovery and how the Government intends to sustain it in the face of adverse international economic environment.

I have also outlined how, through tariffs and taxes, I will affect the relative prices so as to stimulate agriculture and exports of manufactured goods, and how, through the District Development Fund and other allied, spatial support measures, I hope to create an environment in which small industry can thrive.

I do not intend to repeat again the description of the major ways in which I have outlined this programme. But in this budget, I have outlined new taxation measures which will raise an additional K£35.2 million, thus closing the gap. Since I have already informed the House of the existing obligations, I cannot decrease on the expenditure side; nor, in view of the policy to stimulate private activity, can I institute further revenue measures.

I am, therefore, reluctantly forced to accept a budgetary deficit of 3.9 per cent in 1987/88. The steps taken in today's Budget are steps towards a long journey to economic and solid prosperity. They have certainly been made possible through the efforts which have been undertaken in the past with the support of this august House.

In conclusion, Mr Speaker, I have today outlined measures which seek to consolidate the gains achieved under our programmes of stabilisation and structural adjustment of the economy. For these measures to continue bearing fruit, we shall require the co-operation of farmers, industry and Government as a whole.

To sustain the momentum of growth under these circumstances will require extra efforts and commitment by all. And to make the burden of leadership in these circumstances lighter will require our total loyalty to His Excellency the President. I am sure Hon. Members will join me in once again re-affirming our unwavering loyalty to His Excellency, the President in the true spirit of our philosophy of Nyayo.

Mr Speaker, I beg to move

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CSO: 3400/392

REPLACING KPCU IN COFFEE INDUSTRY SEEN CONTROVERSIAL

Nairobi THE WEEKLY REVIEW in English 3 Jun 87 pp 23-24

[Text] Following the recent government directive to have the giant Kenya Planters' Co-operative Union (KPCU) disbanded and replaced with the National Coffee Co-operative Union (NCCU), it appears that the government is determined that the issue not become a matter of protracted debate as has been the case with controversial coffee issues in the past. Although coffee growers were anxiously waiting for the outcome of the KPCU members' meeting initially scheduled for Thursday next week, the meeting was called off and the managing director of KPCU, Mr Henry Kinyua, said last week that the government had directed that there be no more meetings of KPCU Ltd until further notice.

According to a notice issued by the secretary of the board of KPCU, Mr M. S. Nasibu, the meeting was expected to consider the letter from the government, which directed that KPCU be disbanded. The letter, which was written to the KPCU chairman, Mr J. J. Musundi, by the permanent secretary in the ministry of co-operative development, Mr Andrew Ligale, directed that KPCU be voluntarily wound up as a company and that KPCU be reorganised into NCCU. The letter further said that the NCCU should continue providing storage facilities for parchment and clean coffee as has been the case with KPCU. However, the management and marketing of clean coffee in those stores was vested in the Coffee Board of Kenya, which will also have to approve any construction of storage facilities being undertaken by NCCU. This responsibility has in the past been almost solely in the hands of KPCU. As a result of these changes, the members of KPCU were expected to make any necessary decisions during the June 11 meeting. Nasibu had stated.

The cancellation of the KPCU meeting came only a day after another meeting which had been called by the Coffee Board of Kenya was also called off at the eleventh hour "due to unavoidable circumstances." The meeting had been called by the chairman of the Board, Mr Stephen Michoma, and was to bring together all coffee district delegates to discuss various controversial issues in the coffee industry. The general manager of the Board, Mr Patrick Katingima, who had issued the notice for the failed meeting, had stated that the delegates were to discuss such issues as the pre-conference meetings, coffee sweepings and security of coffee and coffee sales as it related to non-quota markets. The delegates were also scheduled to deliberate on the alleged irregularities within the Board. Katingima said that as the supreme organ of the coffee

industry and within their legal forum, be able to discuss these issues objectively and take a stand.

Although the meeting never materialised, it is understood that the issue caused quite some friction between Michoma and the other directors of the Coffee Board. The directors are said to have wondered why Michoma had "unilaterally" decided to call the meeting, when the procedures required that such a meeting be called by the directors of the Board as a whole.

As uncertainty over the future of KPCU continued, President Daniel arap Moi cemented the government decisions when he said that KPCU must

change to cater for the majority of its members. President Moi told a fund-raising meeting at Kerugoya on Friday last week that under the present structure of KPCU, the majority of coffee growers, mainly small-scale farmers, who produced 65 per cent of all the coffee produced in Kenya, were voteless. He said that the government would like to see the true image of coffee production in the country being reflected in KPCU and since small-scale farmers produce most of the coffee, they should determine the management of KPCU.

One aspect of KPCU that the president referred to is the fact that member coffee growers of KPCU are classified into two shareholding categories, "A" and "B" according to their coffee acreage. Under article 16 of KPCU's articles of association, "A" shares are issued to all coffee growers with 50 or more acres of coffee while "B" shares are issued to all growers with less than 50 acres of coffee. The article also allows admission of non-coffee growers as shareholders of the company, although presently, there are no such members. This provision must have prompted the government to direct that when NCCU is formed, its membership will be restricted to coffee growers only.

Although the "B" shareholders have 685 shares out of a total of 1,155 shares in KPCU and in effect control over 59 per cent of the shareholding in the company, they have no voting rights in the annual general meeting or in any other extra-ordinary meetings of KPCU. The "A" shareholders, with 470 shares have full rights in the participation of the affairs of the company as is

provided under the Companies' Act. Since estates control 273 or 58 per cent of the total "A" shareholding, it means that they have more voting rights over co-operative societies in KPCU meetings. Both "A" and "B" shareholders retain all other rights in the company such as those pertaining to dividends and profits.

Before KPCU is wound up, there are several prerequisites that have to be fulfilled. The directors of the company are under the law required to make a declaration of the company's solvency within 30 days immediately preceding the date of passing the resolution to wind up the company voluntarily. Prior to making the declaration, the directors must first make a full inquiry into the affairs of the company and determine that the company will be in a position to discharge its debts fully within a specified period from the commencement of winding up or from the date of the resolution to wind up. Such a period must not exceed 12 months.

For KPCU to be voluntarily wound up, a special resolution to this effect must be passed by a majority of at least three-quarters of its members who are required to be called to a special general meeting by a notice of not less than 21 days. Once a resolution to wind up the company is passed, the company would appoint a liquidator for the purposes of winding up the affairs and distributing the assets of the company. On the appointment of the liquidator, all powers of the present directors of the company would cease unless the same meeting or the liquidator sanctions the continuance of such powers.

When the liquidator commences the process of winding up, he can, if sanctioned by a special

resolution of the members, transfer the whole or part of the company's business to another corporate body and receive shares in the corporate body for distribution to the members of the company. However, any member who refuses to vote in favour of the resolution may require the liquidator either to abstain from effecting the resolution or to purchase his interest, so long as such a member gives the liquidator seven days' notice.

If an effective resolution is passed to wind up KPCU, the union would immediately be required to repay the overdrafts and loans it owes the Barclays Bank of Kenya, the Standard Chartered Bank of Africa and the Co-operative Bank of Kenya. This is in accordance with the debentures and legal charges securing overdraft and loan facilities from the three banks. At the same time, KPCU's loan stock and deferred stock would immediately become redeemable once a resolution to wind up the company was passed and loans granted by the company to coffee growers would have to be recalled. So far, KPCU has issued more than 26 million deferred stocks of shs.10 each, consisting of an issue of over 10 million stocks to estates and about 16 million in stocks to co-operatives. The company has also issued over 3.28 million loan stock redeemable in 1991/5 and 1996/2000, which comprise 1.28 million loan stock units to estates and 2 million loan stock units to co-operatives.

Although the government decision to wind up KPCU may have stemmed from the recent protracted wrangling between KPCU and the Coffee Board, it appears that the government has been

considering changing the structure of KPCU for quite some time now. Way back in 1983, the government seems to have considered making KPCU a parastatal, prompting a sharp reaction from members of KPCU. In May of that year, the members convened an extraordinary meeting at Ruiru Sports Club and resolved that KPCU should remain independent of outside interference and should operate under the Companies' Act with exemptions from the Co-operative Societies Act. "Under no circumstances should KPCU become a parastatal organisation," the members unanimously resolved. The government has also at one time or the other considered merging KPCU and the Coffee Board, but apparently realised that this did not constitute a feasible solution to the conflict between the two organisations.

The government has explained that the decision to disband KPCU will streamline the coffee industry, but coffee growers have argued that replacing KPCU with a union would only magnify the persistent problems experienced by co-operative societies in the country. They have also maintained that since co-operative unions are managed by management committees which may not necessarily be competent in management affairs, the proposed union cannot provide the quality of services currently being provided by KPCU. The growers also feel deeply offended that the decision to disband KPCU comes in the wake of their demand to have the Coffee Board probed for alleged irregularities in its operations and instead of being reprimanded, the Board is set to acquire greater responsibilities and powers. ■

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CSO: 3400/392

CONSERVATION NEEDED IN FACE OF HIGH OIL IMPORT COST

Nairobi DAILY NATION in English 12 Jun 87 p 10

[Text]

Kenya spent more than Sh5.1 billion on oil imports in 1985, amounting to about 40 per cent of its net foreign exchange earnings.

An Assistant Minister for Energy and Regional Development, Mr Haji Adichareh, said on Tuesday that the events which led to the dramatic reduction in prices of petroleum products in 1986 were short-lived. He said there was a need for the transport sector, which consumes between 42 and 45 per cent of all fuel, to exercise conservation.

He was opening a three-day road transportation workshop on energy management in Mombasa. The workshop is sponsored by the Ministry and the Canada Energy Management Advisory Project in conjunction with the Kenya Transport Association (KTA).

Mr Adichareh said transporters might be forced to use computers to set correct freight rates, monitor fuel consumption and reduce waste.

The Assistant Minister said Kenya needed to save millions of shillings in foreign exchange to

use on other development projects. He said the awareness of the need to conserve fuel was still limited to only a few transporters.

A transportation energy management programme to promote greater energy awareness and efficiency in the sector, he said, shall be formed.

He also told the participants that the Kenya Industrial Energy Management Programme (Kiemp) had already been established to provide technical assistance to the industrial sector.

He said the programme was started by the Ministry and the Kenya Association of Manufacturers to promote energy conservation in the industrial sector.

Mr Adichareh thanked the Canadian International Development Agency (Cida) for sponsoring the workshop and praised suppliers and trucking companies for their co-operation.

The chairman of KTA, Mr Mwangi Mathai, said the conservation of energy was inevitable if transporters wished to make profits.

The industry, he said, consumed about 300,000 tons of hydrocarbons yearly basing the calculation on 200 litres of fuel for a vehicle in a day.

A press statement issued in Mombasa before the workshop said the Ministry was pursuing policies and programmes aimed at reducing the oil import bill to save the money for other essential items.

The statement said that if the policies succeeded, there would be efficient utilisation of fuel, particularly in the industrial and transportation sectors, (KNA)

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CSO: 3400/392

RISE IN UNEMPLOYMENT RATE

Nairobi DAILY NATION in English 30 May 87 p 10

[Text]

Kenya's rate of unemployment rose in 1986, the 1987 economic survey, which was released this week, shows.

Job creation in the modern sector increased by 3.9 per cent, which was lower than the 4.9 per cent in 1985. At the same time, nominal wages rose by 8.8 per cent, lower than 1985's 9.3 per cent, the report says.

However, due to a remarkable decline in inflation, average real wages rose by 3 per cent. The inflation rate, as measured by the Nairobi Consumer Price Index, was the lowest recorded in the past decade, reaching a 5.7 per cent, compared to 10.7 per cent in 1985, 9.1 per cent in 1984 and 14.5 per cent in 1983.

In 1986, a total of 74,900 jobs

were created, an increase of 5.1 per cent over the 1985 level when 76,600 jobs were created. This was 5.5 per cent over the 1984 level. However, the employment growth was slower than in 1985.

The modern sector wage employment accounted for almost 80 per cent of total employment, estimated to be 1,221,000 jobs in 1986, compared to 1,174,000 in 1985. This represents an increase of 3.9 per cent or 46,100 new jobs, which is above the target of 42,000 new jobs a year set out in the Fifth Development Plan.

The small-scale enterprises provided 26,500 jobs, representing an increase of 10.4 per cent. This was better than the 9.1 and 5.4 per cent in 1985 and 1984 respectively.

This steady growth of the small

enterprises (formerly known as the urban informal sector) in job creation indicates the increasing role the sector is playing in the economy.

Self-employment and unpaid family workers went up by 2,300 jobs (6.9 per cent), compared to an increase of 700 jobs (2.2 per cent) in 1985.

Over 40 per cent of modern sector wage employment is contributed by community, social and personal services, most of them in the public sector. Agriculture, forestry, manufacturing and trade activities follow in that order.

Wage employment in the private sector increased by 3.5 per cent, lower than the 3.7 per cent in 1985.

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CSO: 3400/392

BOARD BEGINS MAKING PAYMENTS DUE TO MAIZE FARMERS

Nairobi THE WEEKLY REVIEW in English 29 May 87 pp 47-48

[Text]

As announced by President Daniel arap Moi last week, the National Cereals and Produce Board (NCPB), the state-owned marketing monopoly for cereals, has begun paying some shs.100 million to maize farmers. Neither the ministry of agriculture nor the board would reveal the total amount of money due to farmers but Mr. William Odongo Omamo, the minister for agriculture, disclosed in parliament early this month that marketing boards owed farmers shs.300 million. One of the issues often discussed in the food sector in Kenya today is the role of the NCPB and the effect of the controls the government imposes in the marketing of maize, the country's most important staple. In the many years that it has been the sole marketer of maize in Kenya, the board has had a history of woes. Farmers complain of delays in payments while the state has viewed with concern the fact that the board has continually drained the public coffers of limited resources. The board has also been blamed for being unable to provide adequate storage capacity for maize and other grain. When the country recorded a bumper maize harvest in 1985, for example, there were reports that a lot of grain was wasted due to poor storage facilities.

The inability of the board to efficiently perform the role for which it was created has been a subject of several studies and reviews both by the govern-

ment and by institutions such as the World Bank and the Food and Agriculture Organisation of the United Nations. The studies have identified marketing and movement controls, and the monopoly position of the NCPB in grain marketing as the major causes of problems. The government has, however, been reluctant to implement the suggested reforms. In the 1984-88 Development Plan, the government pledged that the internal maize market would be freed of all restriction and that millers would be allowed to purchase their requirements direct from farmers. Last year, the government, in a move that was seen as the beginning of the implementation of the suggested reforms decided to allow maize millers to purchase maize directly from farmers. Millers were permitted to buy naked maize at the farmgate at a gazetted price of shs.188 per bag. There were three major advantages which the government expected to realise by introducing this system. First, the Cereals Board's storage problem would be eased as the cost of storage was shifted to millers. Secondly, farmers' dues were also averted since farmers were being paid on a cash on delivery basis by the millers. Thirdly, and perhaps most important, was the fact that the process of breaking the monopoly of the cereals board in the marketing of maize had begun. Early this year, however, Omamo scrapped the system, ordered millers to stop purchasing cereals directly

from farmers and announced that the government had decided to revert to the old system.

The minister said that the decision had been reversed for a number of reasons. Since the state-owned Agricultural Finance Corporation (AFC) reintroduced the seasonal credit scheme for farmers, he said, the government had decided that the best method for recovering the unsecured loans was through deductions from proceeds of the crop they deliver to state marketing boards such as the cereals board. He said that following the decision to allow millers to purchase maize directly from farmers, nearly all farmers were selling

their produce to millers, avoiding selling to the board, so as to escape deductions for loans they had received from the AFC. Sources in the ministry of agriculture explained that AFC had found itself in a position where it had no way of recovering loans it was owed by maize farmers. The ministry also argued that it had discovered that some millers were purchasing maize at prices lower than the gazetted prices and that the government did not want to see a situation where millers were making windfall profits at the expense of farmers. Furthermore, the ministry argued, the NCPB had, following the introduction of the new system, been faced with

a problem of selling its old grain stocks. After the bumper harvest of 1985, the ministry explained, the board had stocked a lot of maize which it was selling to millers on the basis of "first in first out," meaning that maize purchased fresh from farmers is sold last. But since millers could now buy from farmers directly, the ministry added, the board found itself in a situation where it could not dispose of its old stock.

One of the causes of NCPB's inability to pay farmers promptly is its ever spiralling operational costs and deficits. The board is, in fact, one of the most indebted parastatals. NCPB's costs have increased persistently since 1976. Unlike many other state-owned institutions, the board does not get finances directly from the government, but through the Cereals and Sugar Finance Corporation (CSFC), a government corporation within the ministry of finance which lends the board funds at preferential interest rates which are slightly lower than the market rates. The loans are guaranteed by the government. From 1976, the board has been accumulating deficits year after year and early this year, the parliamentary public accounts committee urged the government to seek ways of curbing the board's increasing debt which is currently approximated at shs. 1.2 billion. In the 1978/79 financial year, the board's deficit amounted to KSh8.5 million and it increased to KSh13.5 million in 1979/80, KSh20 million in 1980/81 and dropped to KSh15m in 1981-82. Interestingly, one of the main causes of NCPB's permanent indebtedness is the fact that it has sometimes been used as an agency for subsidising maize prices. In 1979/80, for example, the board incurred a huge loss of KSh9 million when production shortfalls led to large imports of maize, which were sold to consumers below NCPB's purchase price. Imports in the 1980/81 period were also sold at a government set price which was below the cost of importation. In the 1978/79 financial year, NCPB was similarly forced to export maize at world market prices which were lower than the domestic produce prices. Economists say that the only way the board can be saved from permanent indebtedness is to allow full application of the market logic in the maize marketing system in Kenya. Allowing Kenya Grain Growers' Cooperative Union, or any other organisation with an extensive depot network in the country to participate in grain marketing like President Moi announced last week, they say, would lead

to the desired goal of breaking NCPB's monopoly of the marketing system and eventually making the system operate on the willing buyer willing seller maxim.

At the moment, regulations make the board the sole buyer of the crop and farmers who market their crop outside the official channel are subject to legal action. The state requires anyone moving more than 10 bags of maize within a district, or two bags across district lines, to secure a movement permit.

/9274

CSO: 3400/392

BRIEFS

DEFECTION OF SOMALI DIPLOMAT--A Somali diplomat in Nairobi, Mr Abdirahman Dini Osoble, 44, yesterday announced he had defected and was seeking asylum in another country. Mr Osoble said he had made the decision because he no longer could serve the regime of President Siad Barre, which he claimed was now "intolerable." Mr Osoble has been the press attache at his country's mission in Nairobi. He brings to three the number of Somali nationals who have defected through Kenya in the last three months. Last February, two Somali Airforce lieutenants defected by military helicopter and landed at the Malindi airport, where they immediately surrendered to Kenyan authorities. Mr Osoble told newsmen: "I am not going to join armed guerrillas fighting the regime of Barre. I am not interested in armed aggression." He said he was prepared to surrender his documents to Kenya until he finds a country where to settle as a refugee. [Excerpt] [By Senda wa Kwayera] [Nairobi DAILY NATION in English 4 Jun 87 pp 1, 24] /9274

ILLEGAL IMMIGRANTS--Thirty-five Ugandans and 20 Tanzanians were yesterday fined between Sh100 and Sh800 and ordered to be repatriated immediately for being in Kenya illegally. The 55 aliens appeared before the Makadara Resident Magistrate, Mrs H. M. Okwengu, and pleaded guilty to the offence. They were charged with being in the Eastlands area of the city illegally on May 30. Prosecuting, Inspector Stephen Kilonzo told the court that the foreigners, who were separately charged, were found in Eastleigh, Dandora and Kaiobangi estates. Five Ugandans who were charged with the same offence produced their passports and other relevant travel documents and were released. In Kisumu, an Indian was charged with being in Kenya illegally and working without a permit. Mr Sureshkumar Natubhai Patel admitted the two offences before Kisumu Principal Magistrate, Mr W. D. Shevde. [Excerpt] [Nairobi DAILY NATION in English 3 Jun 87 p 4] /9274

MAIZE FOR SOMALIA--Maize donated by the Kenya Government will be shipped to Somalia to help avert a famine threat, shipping sources said yesterday. The sources said the 1,500 tons of white maize, would be handed over to Somali authorities in Mombasa today. The cargo is being loaded onto the Somali vessel, Boolimog, owned by the Somali National Shipping Line. The 1,500 ton vessel is on a regular service between Mombasa and the Somali coast. Kenya and Somali government official sources said were expected in Mombasa today for the ceremony at Berth No 18. The provincial administration confirmed that officials from the Ministry of Foreign Affairs would visit the port today. The Kenya aid package to Somalia comes in the wake of a five-month relief

operation to rescue millions of people suffering from the ravages of war and drought in southern Africa, the Horn and the Gulf. The operation, a reverse of the 1984/85 massive imports of yellow maize, has included shipment of maize to the Far East and Indian Ocean Islands. Another vessel, the Maltese Castle Dignity is at the port of load 3,000 tons of white maize for the Somali port of Berbera. At the same time, the Somali National Line has acquired a modern German-built Ro-Ro vessel for Kenya exports and transit cargo to Somalia, sources said in Mombasa yesterday. The 2,500-ton Puntland II will replace the former Puntland, which was phased out and sold to buyers for scrap last year. The new vessel, with a capacity for 260 TEUS, 390 tons of bulk cargo will join the conventional vessel Boolimog on a feeder service from Mombasa to the Somali ports of Kismayu, Berbera and Mogadishu. [Text] [By Gray Phombeah] [Nairobi DAILY NATION in English 12 Jun 87 p 3] /9274

CSO: 3400/392

NATION'S DEBT BURDEN LIGHTENED

Paris THE INDIAN OCEAN NEWSLETTER in English 20 Jun 87 pp 1, 7

[Text] *Mozambique's Western creditors agreed on June 16 in Paris to re-schedule Maputo's debt on terms that are "really extremely favourable", in the words of the governor of the Banco de Moçambique, Eneas da Conceição Comiche, to The Indian Ocean Newsletter. While declining to reveal the amount involved, Mr Comiche said it covered all the debts now due, plus the whole of the arrears. According to reliable sources, Mozambique's debt servicing liabilities in 1987, including 279 million dollars in arrears, will total 453 million dollars. The rescheduling covers loans taken out before February 1, 1984, arrears accumulated up to December 31, 1986, and credit repayable up to December 31, 1988. In an unprecedented concession for an African country, the revised repayments are spread over 20 years, with a grace period of ten years. This is a totally exceptional gesture by the Club of Paris, whose meeting was attended by representatives of 14 countries: Austria, Belgium, Brazil, Britain, Finland, France, Italy, Japan, the Netherlands, Portugal, Spain, Sweden, the United States and West Germany.*

The extension of the time for repayment, which is normally ten years with a five-year grace period, is in line with the more generous proposals put forward, notably by France, at the recent economic summit of the seven most industrialised Western nations in Venice. This second rescheduling of Mozambique's public debt by the Club of Paris is thus markedly more favourable to Maputo than the first, agreed in December 1984, when Mozambique had scarcely joined the International Monetary Fund and no economic recovery plan had been conceived (rescheduled debts then amounted to 268 million dollars). Mr Comiche also declared himself highly satisfied with the results of the meeting of the Club of London, representing the private creditors, on May 27, that agreed, according to other sources, to reschedule repayments of Mozambique's commercial debt of some 189 million dollars. Maputo would also like to secure an interest rate of not more than two per cent for these rescheduled debts, which are now the subject of bilateral discussions.

As for the debt to planned economy states (China, eastern European countries and Cuba), the central bank governor said that it would be the subject of a second round of negotiations starting immediately, "since the rescheduling terms set out by the Club of Paris serve as a

basis for all creditors, including those with planned economies". However, the repayment terms conceded in the first round of negotiations with the socialist bloc states in 1984 were "much better" than those granted by the Club of Paris in the same year, Mr Comiche added. According to a reliable source, the debts to the socialist countries due in 1987 total 478 million dollars, including 310 million in arrears. In all, then, before rescheduling, Maputo owed its creditors this year 1,573 million dollars, of 1,100 million are arrears.

The rescheduling of the country's debt brings considerable relief to the Maputo government, which is fighting to revive a moribund economy. Under the agreement with the IMF, which resulted in a decision by the fund's board on June 8 to grant a structural adjustment facility of 37

million dollars, repayable over ten years at 0.5 per cent (see ION N°286), Mozambique will try to cut its budget deficit from 50 per cent of the total in 1986 to 25 per cent in 1987 and eradicate it completely by the end of the recovery programme adopted last March (see ION N°272). Some signs of recovery have already manifested themselves during the first quarter of 1987. The agricultural sector recorded growth of eight per cent over the same period in 1986, and industry 17 per cent. On the other hand, there is still no sign of improvement in the transport sector (railways and ports). Projected growth for the whole of 1987 is put at 3.5 per cent (five per cent in the following years), which, taking into account the country's economic situation, is very little. Meanwhile, Mozambique is to use the IMF's credit to build up its reserves which have sunk alarmingly low, covering less than one week of imports, apparently. Final touches to the agreement with the World Bank for a second economic rehabilitation loan, this time of 90 million dollars (the first was for 51 million) should be applied in Washington next week. Lastly, Western donor nations will meet under World Bank auspices in Paris on July 9 and 10 to decide on their policy towards Mozambique's need for economic aid, which has been assessed by Maputo as 1.1 billion dollars.

/13046

CSO: 3400/95

COMMERCIAL FLIGHTS COMMENCE AT BAUCHI AIRPORT

Kaduna NEW NIGERIAN in English 13 May 87 p 13

[Article by Waziri Barba]

[Text] Commercial flight operations at the newly commissioned Bauchi Airport has commenced after an improvement on the weather condition which had made landings at the airport impossible after its commissioning on April 21 this year.

A thick harmattan haze which had enveloped Bauchi for the better part of the this year [as published] up to last month subsided early this month.

The NEW NIGERIAN gathered that flight operations commenced on May 1 and since then has continued on daily basis with the first flight in the Bauchi-Kaduna-Abuja-Lagos route taking off at 12.15 p.m. daily, except Sundays.

Officials of the Jambo Airlines refused to reveal the extent of commercial passenger traffic on the airlines routes so far but station manager Mr. Mile Musa described the performance of the airline within the week that it had operated as quite modest for a start.

The incoming flight the NEW NIGERIAN saw on Wednesday, a 50-seater named "Yankari Express" with registration number 5N-ARJ landed at 10:55 am with eleven passengers on board.

According to chart of the airline, passengers to Kaduna pay 60 Naira, 80 Naira for Abuja and 135 Naira for Lagos.

/13046

CSO: 3400/57

DADIN KOWA DAM PROJECT COMPLETED

Kaduna NEW NIGERIAN in English 20 May 87 p 16

[Article by Abu Tapidi]

[Text]

THE 72 million Naira multi-purpose Dadin Kowa Dam project near Gombe, Bauchi State has now been impounded following the completion of the dam and the volume of water has been increasing steadily.

The dam constructed by Messrs Stirling Civil Engineers (Nigeria) Limited has a storage capacity of 2,855 million cubic metres and a live storage of 1,770 billion cubic metres which would be utilised for irrigated agriculture.

The General Manager of the Upper Benue River Basin and Rural Development Authority (UBRDRDA) based in Yola, Alhaji Abubakar Hashidu, said the project, could provide irrigation facilities for 44,000 hectares of fertile land down stream of Dadin Kowa and upstream of Kiri reservoir.

Alhaji Abubakar explained that "this will yield grain equivalent of 225,000 tonnes and fish production of 20,000 tonnes annually."

He said the project also has 34 megawatts hydro-electric power generation capacity which would be transmitted through the Kainji-Maiduguri 132 KVA national transmission line, thereby producing 146 million KHZ per annum valued at eight million Naira.

The general manager said the dam has a daily release schedule of 19 million litres of water to Gombe town and environs as well as 19 other villages downstream.

According to him, the dam would also be used for flood control and flow regulation, livestock development, fruit and forestry development for the propagation of improved varieties, recreational and socio-economic benefits.

Alhaji Abubakar said the design of about 25,000 hectares of land has been completed under the first phase of the project with 140 hectares and 160 hectares of land under gravity and sprinkler already irrigated respectively.

He stated that irrigation pumps worth over 10 million American dollars have been ordered and received last year and would be used for the development of 6,000 hectares of land this year.

/13046

CSO: 3400/59

BOOM REPORTED IN ILLEGAL MINING OF PRECIOUS STONES

Jos THE STANDARD in English 20 May 87 pp 16, 2

[Article by Steve Raymond]

[Excerpt]

THE illegal mining of precious stones in Kafanchan Local Government of Kaduna State which had been checked by security agents in the past is now surfacing following the recent religious disturbances which has diverted the attention of the police.

When some precious stones were discovered in the area last year, the police mounted regular patrol in the mines field and arrested a couple of illegal miners in such places as Mandu and Ankara villages of Gwantu District as well as Dogon Fili after Gidan Waya in Godogodo District.

Later the illegal miners changed to night mining in order to beat the police patrol and so the Kafanchan police began to organise night patrol in the affected areas.

When the recent religious disturbances erupted in Kafanchan town, the police withdrew the units stationed in the

illegal mines fields to protect the lives and properties of the people.

The illegal miners then took advantage of the withdrawal of the police in March 1987 to quell the disturbance and sneaked back to the minesfield to resume their illegal mining of the precious stones.

The villagers in Ankara have complained bitterly to their village head, Malam Yakubu Dagazan (II) that the activities of the illegal miners was threatening the survival of their economic trees.

The villagers said that most of the palm trees and other economic trees were giving way due to the illegal underground mining.

When contacted in Kaduna, the state police spokesman, Malam Idris Umar (ASP) confirmed that the state police headquarters had received a report on the renewed illegal mining activities in Kafanchan.

DEFENSE MINISTER ON OPTIONS FOR MILITARY PERSONNEL

Lagos DAILY TIMES in English 28 May 87 pp 1, 12

[Text]

TWO options will be given to military personnel holding political appointments come 1990.

They will either retire at the end of the military rule by 1990 or remain in the armed forces, the Defence Minister, Maj-Gen. Domkat Bali, has said.

Quoting General Bali, NAN reported him as saying: "As we are approaching the hand over, those who decide to return to the barracks would be withdrawn from their political assignment".

The measure would help prepare the military appointees and condition them "mentally and physically" for life in the barracks as was done during a similar disengagement in 1979.

Gen. Bali was confident that Nigerian society would be more stable and its national leadership would be more coherent with the people identifying themselves with the ideals of the country.

According to the minister, one of the major problems facing the country was a question of values and acceptance of the Nigerian nation which will pervade all sectors of the society including the military.

"Once this is established politically, the military will automatically and definitely withdraw to their traditional roles as protectors of the country".

Maj-Gen. Bali, noted that coups stemmed from "minor jealousies" among military personnel in Barracks and their colleagues holding political appointments arising from the privileges such officers carried with them.

The military was generally more sensitive to their colleagues in government in the way things were moving within the regime, adding that as long as a government enjoys the general support of the populace, therein lies the strength of any government civil or military.

/13046

CSO: 3400/60

AIR OFFICER ADDRESSES GRADUATES ON TASKS AHEAD

Kaduna NEW NIGERIAN in English 23 May 87 p 9

[Article by Suwaid Isah]

[Text]

THE Air Officer in Charge of Administration, Nigerian Air Force (NAF) Training Command, Kaduna, Air Commodore Umaru Abbas, has said that within 23 years of its existence the NAF has contributed in no small way to the security, defence and development of the country.

He said over these years the air force had also grown to become "a dependable force that the nation can be proud of."

Speaking at the graduation ceremony of officers military orientation and Basic Military Training Courses in Kaduna yesterday, Air Commodore Abbas urged the graduating officers, to be ready to render selfless services to the country and also to the air force career.

He reminded them of the need to always remember what they could do to make the air force develop and succeed in its tasks of defending the country against enemy aggression.

Air Commodore Abbas said that NAF would very much like to maintain its good name and reputation and therefore warned the graduating officers not to do any thing that will tarnish its good image.

"You have not joined the air force to steal, embezzle money and molest those who are not in the armed forces. In fact, they should look up to you for their protection" he declared.

He told the officers to be disciplined so that they would be

good officers and airmen.

He urged them to make judicious use of the meagre resources at their disposal since the country's economy was now very poor, "you should not over expect and should be less demanding", he remarked.

Air Commodore Abbas gave a breakdown of course attendants as: 74 students made up of 48 nurses, 7 medical doctors, 9 engineers, 3 lawyers, 2 architects, 2 quantity surveyors, 2 administrative officers and one accountant; whose services, he explained, were greatly needed in the air force, adding that during the course which lasted for four months the officers were exposed to various military subjects and exercise to prepare them for air force duties.

/13046

CSO: 3400/59

BRIEFS

HARRASSMENT OF POLITICAL BUREAU MEMBERS ALLEGED--A member of the Political Bureau has said that most members have suffered various harassments since the proscribed Newswatch magazine published their recommendation to the Federal Government. Making a comment yesterday at a session to end the workshop on "Human rights under a military regime," a female member of the bureau, Dr. Rahmate Abdullahi, said "The publication was not fair to us." Dr. Abdullahi, who is also the newly appointed Kwara State Education Commissioner, regretted that members of the bureau were still being taken away at different times for questioning by the SSS. She said that students in her department at the University of Ilorin embarrassed her by displaying placards in the campus on recommendations purportedly supported by her at the bureau. Dr. Abdullahi pointed out that one of the members of the bureau had been summoned by a traditional ruler to explain before the community why he kept silent when other members were sharing states at the bureau. Making another comment, the commissioner frowned at the judges complaining that their hands were tied in decision-making. She advised lawyers to educate the masses more often on their basic rights. [Text] [Lagos DAILY TIMES in English 26 May pp 1, 12] /13046

CSO: 3400/61

HELMS, DOLE SEEK TO FORCE REAGAN NOT TO BACK CHISSANO

Johannesburg BUSINESS DAY in English 2 Jun 87 p 8

[Commentary by Simon Barber]

[Text]

TWO MOZAMBICAN Ministers — Transport and Culture — have visited Washington over the past fortnight in what seems to be a growing parade.

Unless they are peculiarly enamoured with the city as a tourist spot (it is very attractive at this time of the year) one can but wonder whether the air fare might have been better spent. The State Department may give good massage, but that aside there can be little official joy here for Maputo.

The Reagan administration's policy towards Mozambique has been one of the few elements of constructive engagement left breathing following the slaughter of the past two years.

Congress is now butchering the surviving wounded — functionally, if not consciously — determined to ensure that the US becomes voyeuristically divorced from Southern Africa's future.

Dr Chester Crocker's efforts to encourage Frelimo's hesitant, yet by all evidence genuine, defection from the Soviet orbit have been the highlight of an otherwise disappointing record.

Something is happening in Mozambique that defies the conventional wisdom. Here, if anywhere, is a chance to prove that Western capital, markets and expertise can subvert totalitarian brutality far more efficiently than guns or sanctions.

Thanks to Prime Minister Margaret Thatcher (one of President Joaquim Chissano's most ardent fans) and other European governments, the chance lives.

Mozambique is now the largest single beneficiary of British economic assistance (\$153m so far this year) and it does not even belong to the Commonwealth. Bizarrely, the US remains scarcely more than a spectator, and could well become a spoiler.

Plead as the State Department might, the debate here is increasingly dominated by two crass and irrational options: enfold Renamo into the childish rigid construct of the Reagan doctrine and give it the Unita treatment, or say a pox on both Renamo and Frelimo and abandon the place entirely.

Either means betraying perhaps the only Marxist regime ever to admit openly the folly of its ways and plead for help.

What makes the betrayal especially loathsome, though not especially atypical, is that it has almost nothing to do with the situation on the ground.

If, and this is not beyond the bounds of possibility, Washington recognises Renamo as a legitimate defender of liberty and the American way, it will be entirely unrelated to the invisible charms of Afonso Dhlakama, the rebel leader, but because the Republican Party's neanderthals have deemed

support for this shadowy individual a litmus test for the 1988 presidential elections.

Put bluntly, hundreds of thousands more Mozambicans may have to die in famine and war so that Senator Robert Dole, the Senate's senior and most powerful Republican, can have a shot at the party's nomination.

An otherwise sensible fellow, he feels bound to atone for greasing passage of the Comprehensive Anti-Apartheid Act last year when he was majority leader.

That he voted for Reagan's veto has not mollified the yahoos of the right, so in a jolly irony he has decided to balance the books by skewering one of SA's principal victims into the bargain.

He is too shrewd to sing the praises of Renamo directly. His approach is to demand that Mozambican peasants be allowed to starve until such time as the administration sees fit to talk to (and thereby recognise) the so-called movement.

His argument is that the \$75m emergency food aid sought by the State Department will not be fairly distributed unless those who are principally responsible for making the relief programme necessary have a hand in carrying it out.

What's wrong with letting the International Red Cross do the job? asks the State Department wearily. Replies Dole: "I call on the State Department to get off their duffs, pick up the telephone and call the Renamo office here in Washington and start the food flowing."

A risible suggestion, given that it is far from clear who or what that office — one Luis Serapiao — actually represents.

Rather more pathetic is the blackmail currently being attempted by the king of the yahoos, Senator Jesse Helms, with Dole as his craven accomplice.

The deal is that Melissa Wells will not get confirmed as the new US Ambassador to Mozambique

until she and/or the administration agrees that the rebels are not "bandits" — as Wells correctly but impolitically described them in testimony to the Senate Foreign Relations Committee — but freedom fighters endorsable under the Doctrine.

Senate majority leader Robert Byrd has tried three times to get a full Senate vote on Wells's confirmation. The last attempt, on May 1, came out 56 to 28 in favour of proceeding, except that on something supposedly as routine as an ambassadorial appointment, 28 votes against is almost unprecedented. So Byrd agreed to defer the issue.

Not all the 28 are pro-Renamo; most are of the pox on both your houses school and are trying to insure that no aid gets to Frelimo, either through the SADCC or direct bilateral transfers.

Their support for Wells is incumbent on what some of them call a "clarification" of US policy from the administration, and preferably the President himself.

This may not be quite as pernicious as Unita-ising Renamo, but the message to Maputo is effectively the same: forget America.

Since the May 1 vote, Helms has developed an interesting new twist in his blackmail project. Not only is Wells ideologically incorrect, he is claiming, but she is guilty of trying to foster private American enterprise in Mozambique. And you thought conservatives loved the marketplace.

Unravelling this heinous plot in a "Dear colleague" letter last week, Helms wrote:

"Recently, I received new and disturbing information that ... Mrs Wells, accompanied by Greg Fergin (the State Department desk officer for Mozambique) and William Friedman, of Friedman Associates, went to the US Trade Development Programme (TDP) office to seek a grant of American taxpayer funds for a feasibility study of a steel mill operation in Mozambique.

The company for which the study would be done is Marwais

Steel, which is engaged in a joint venture with Friedman Associates. The apparent purpose of Wells's presence was of assist in pressuring the TDP office to make the grant.

"Considering all of the surrounding circumstances, not the least of which is the depressed US steel industry, I question the propriety of this action which can only inure to the benefit of private individuals and a communist government.

"While Wells's presence at a TDP meeting raises questions of judgment, more serious questions of conflict of interest are raised as a result of a letter sent by Marshall I Wais, MD of Marwais International, to four US Senators. In that letter, Wais urges the Senators "to support the appointment of Melissa Wells as the US Ambassador to Mozambique."

Helms concludes that, as a result of these allegedly grave improprieties, he intends to have the Republican Congressional caucus demand that Wells's name be withdrawn altogether.

Which is absurd. The Senator's charges, while more or less based on fact, are utterly spurious; the insinuation that Marwais, by revamping a steel fabrication plant outside Maputo will somehow be undermining American jobs is a baldfaced lie.

The would-be Ambassador — who happens, incidentally, to be a veteran diplomat with considerable experience in Portuguese-speaking Africa (and is also an extremely interesting character; she

was once a Las Vegas showgirl) — has done no wrong.

Indeed, by trying to help the US private sector get involved in Mozambique's development, she seems to be doing everything that Ronald Reagan and a Congress justly dubious about foreign aid could ask.

As for the allegation that she, and the State Department, are somehow backing a communist regime, it may be wondered just how communist a regime can be that is prepared, nay desperate, to welcome capitalists like Marwais without demanding majority ownership or imposing the least restriction on the repatriation of profits.

But no, Helms and his crew would gladly block the few thousand dollars required for the Marwais feasibility study in favour of spending a few million on Renamo so that Mozambicans can starve and have limbs blown off on an indefinite basis, and Frelimo can be forced back into the arms and philosophy of Moscow.

The tragedy is that Helms, Dole and others like them could well win the day, not only in blocking Wells's appointment but also in forcing the administration to back away from its support for Chissano.

With a Democrat-controlled Senate recently voting 95 to 0 to urge that sanctions be applied to Angola — and 77-15 to cut off all aid to the SADCC unless its members evict the ANC — even worse is possible.

/13046

CSO: 3400/86

OPPOSITION PARTY URGES TRANSKEI TO RENOUNCE INDEPENDENCE

East London DAILY DISPATCH in English 10 Jun 87 p 2

[Text]

UMTATA — The leader of Transkei's opposition Democratic Progressive Party, Mr Caledon Mda, called on the Transkei Government yesterday to renounce independence and to return to South Africa.

Taking part in the debate on the Foreign Affairs vote in the National Assembly, he said the type of sovereignty Transkei had taken had brought insecurity for its people.

He said that this type of freedom not only physically and territorially separated Transkeians from the rest of the blacks in South Africa, but also succeeded in affecting the relations between Transkei and Ciskei.

Mr Mda said: "We sought political freedom not as an end in itself but as a means to use in the struggle for black's liberation from all destabilising and dehumanising inhibitions.

"We sought political freedom for our people in Transkei and elsewhere, freedom of speech and association, freedom from want, fear and disease and freedom to sell one's labour to the highest bidder," he said.

"We sought political freedom in order to agitate and secure for our own children the means and the quality of education which would enable our people not only to share in the fruits of civilisation but also to contribute in the political, social and economic

development of our own country," he said.

He cited an incident at Umbumbulu, in Natal, where Transkeians had been told to leave their jobs and their belongings for a period of time, but when they returned, found their residences plundered, their belongings stolen and 30-years of service lost.

The Transkei Government, he said, had done nothing to help them.

"And you still say the political sovereignty we got from South Africa is good for our people?" he asked, adding: "I advise that we should go back to South Africa."

Mr Mda referred to the recent refusal by the people of Kwa-Ndebele to accept independence and the subsequent clampdowns and persecution of its people by South Africa.

"I hold Transkei responsible for that situation for being the weakest link in the chain of black existence, in being the first to accept independence which perpetuated the policies of apartheid.

"The genuine and recognised leaders of Kwa-Ndebele had been imprisoned and others fled for their safety," Mr Mda said.

"I suppose after the people of Kwa-Ndebele, because of intimidation and persecution, finally succumb, there will be no shortage of so-called leaders who will make similar glib pronouncements of how the people of Kwa-Ndebele had sought and obtained political freedom and sovereignty for their people," he said.

Mr Mda said the world knew too well the policies which gave rise to the establishment and granting of political independence to Transkei and the other mini-states established as satellite states to glorify and lend credibility to the "dastard policy of apartheid".

Mr Mda said the people of Transkei were paying heavy taxes. Even the pensioners were giving the money on one side of the hand. The money was taken away on the other in the form of taxes which were far less than those paid to South Africa.

He questioned the educational qualifications of the Transkei representative in Austria and those of the previous ambassador to Washington.

KWAZULU POLICE GET MORE POWERS

Johannesburg CITY PRESS in English 14 Jun 87 p 4

[Article by S'bu Mngadi]

[Text]

THE KwaZulu police took over police stations in the greater Durban area following powers granted to them by the KwaZulu Legislative Assembly, including detention without trial for up to 90 days.

This follows the passing last week of the KwaZulu Police First Amendment Bill and the KwaZulu Control of Access to Public Premises and Vehicles Bill.

In addition, a further two police Bills were expected to be read during this session of the K.L.A.

The first Bill permits police force members to erect road blocks and to stop and search vehicles on any public road.

It allows for a fine of up to R500 or six months or both.

The second stipulates that members of the public entering government buildings or vehicles must inform officers on duty if they possess any dangerous objects.

It also empowers officers to subject members of the public to an "examination" and to eject a person from a government building if this is deemed necessary for its protection.

Any person contravening the law faces a fine of R2 000 or two years or both.

A third Bill, providing for the arrest and detention of people suspected of violent crimes, illegal possession of firearms and ammunition and theft, was read for the second time in the assembly.

The Bill, on tracing and detention of offenders, allows for the detention of such an offender or someone suspected of withholding information about such a crime for up to 90 days.

In his speech on the second reading of the Bills, KwaZulu Chief Minister and Police Minister MG Buthelezi said it was necessary to take stringent measures to protect govern-

ment property against bombing and attacks in the light of escalating "terrorism" in the country.

"If one pauses to think that some people have taken it upon themselves to destroy the lives of other people so mercilessly, it becomes more and more evident that stringent measures should be undertaken," said Buthelezi.

The passing of the Bills coincided with the takeover by ZP of police stations in KwaMashu, Umhlati, Ndwedwe and Kwa-Maphumulo and are to assume the policing of other townships in the future.

BRAZIL NAMED AS POSSIBLE MARKET FOR STEEL EXPORT

Johannesburg BUSINESS DAY in English 17 Jun 87 p 2

[Article by Hamish McIndoe]

[Text]

SANCTIONS-HIT SA steelmakers might be heading for a short-term burst in steel slab exports because of an EC shortage.

A metal industry source in London said a demand for slabs had forced steelmakers to concentrate on supplying EC markets.

Brazil has been named as one country that may be turning to SA for more steel slab imports; possibly to highlight Brasilia's annoyance at having its steel import quota to the EC pegged in the 1987 bargaining round.

Brazil exports about 200 000 tons of steel to the EC.

An SA steel industry source said the "deduction was sound".

He said: "I know there is a demand for slabs in Europe but I'm not sure how severe the shortage is."

SA's steel export figures have been a closely guarded secret since the US, Japan and the EC imposed steel and iron ore embargoes late last year.

Steelmakers also refuse to comment on exports, but Iscor last month commissioned a R120m slab caster at its flagship Vanderbijlpark plant and would

clearly benefit from the increased demand.

In another development, Middelburg & Alloys (MSA) may be jockeying to fill a shortage of stainless steel plate in Brazil, whose steelmaker Acesita, is said to be having difficulties meeting local demand.

The London source said: "We understand a stainless steel expansion programme in Brazil has been hampered by debts and strikes."

MSA's Robert Walton denied a major export drive was being mounted in Brazil. "We've had a presence in the country for a long time and try to fill the gaps in Acesita's product range where we can."

Brazil has not applied steel sanctions against SA.

□ The Metal Merchants Association of SA is to join the Brussels-based Bureau International de la Recuperation (BIR), a confederation of major scrap merchants from the EC, Latin America and the US.

An association delegate attended the BIR's AGM in Helsinki this month and it was understood SA's membership was widely welcomed by the bureau.

/13046

CSO: 3400/99

SANCTIONS NOT EXPECTED TO HIT MOSSEL BAY PROJECT

Johannesburg BUSINESS DAY in English 8 Jun 87 p 1

[Article by Mick Collins]

[Text]

SA IS confident sanctions will not affect the R5,5bn Mossel Bay petrol from gas project.

Central Energy Fund projects director Bob St Leger says SA has taken note of sanctions, but does not envisage they will hamper the project.

By 1992, Mossel Bay should yield 25 000 barrels of oil a day, or about 10% of SA's fuel requirements, he said.

"The first offshore platform will begin operating in 1991, with a second one due 18 years later. The scheme is expected to have a life of at least 30 years."

He said foreign engineering companies were being offered an important role in the project. The main components SA was looking for from abroad were drilling equipment and large compressors.

"We also want overseas concerns to set up joint ventures with local firms to share technology."

SA was already in contact with overseas engineering firms, he said, mainly companies with previous experience in the North Sea oil fields.

"All major engineering contractors around the world have shown interest in getting into the project," St Leger said.

Director-General of Mineral and Energy Affairs Louw Alberts said SA was aiming at a 75% local content for the project.

Alberts said the scheme was just economically feasible at present, but could provide "quite a fair return" by 1992 if crude oil reached \$24-\$26 a barrel.

Mossgas projects director Ken Graham says the only difficulty that could be posed by sanctions would be obtaining offshore equipment and a pipe-laying barge.

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CSO: 3400/99

FORD TO KEEP SUPPLYING SAMCOR

Johannesburg BUSINESS DAY in English 15 Jun 87 p 1

[Text]

FORD would continue to supply Samcor with vehicles, components, management and technical assistance — regardless of the outcome of Ford's talks with representatives of Samcor's workers, Samcor chairman and Anglo American executive director Leslie Boyd said yesterday.

Boyd also said Ford would license the use of its trade mark.

Arrangements were still at a formative stage but Samcor would continue to supply Ford vehicles and service parts to the public through its comprehensive Ford dealer network.

Boyd said he was aware of Ford's talks with representatives of Samcor's workers with a view to placing a major portion of Samcor's shares in a trust for the benefit of all Samcor employees.

It was envisaged the workers' trust would have representation on Samcor's board of directors.

But National Union of Metal Workers of SA spokesman Sam Tsiane said the union was unlikely to accept the offer.

AP quoted Tsiane, who is in the US, as saying the answer was likely to be no. Union leaders were not interested in the proposal because it offered no long-term solutions to the problems of apartheid.

Reports from Detroit said Ford had

been trying since February to arrange a pullout by giving 24% of its 42% stake in Samcor to workers. The remaining 18% would reportedly be taken up by majority shareholder Anglo American.

Ford's chief spokesman for international relations confirmed the company was considering pulling out of SA, possibly by turning over the bulk of its current holdings there to employees.

George Trainor said several options were under study and the result would probably be for Ford to end its direct South African investment.

"We may just decide it's business as usual — but that's unlikely," he said.

If Ford could assure the viability of Samcor, which executives said only recently became marginally profitable, then "that would permit us to disinvest," Trainor said.

The attempt to involve workers in the pullout is said by union leaders to be an attempt to avoid the strikes and violence associated with GM's disinvestment.

Boyd said: "Samcor is a strong contender in the SA market and we are confident it will maintain and strengthen its position as one of the country's foremost vehicle manufacturers."

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CSO: 3400/100

MP TO GET PAY RAISE

Johannesburg BUSINESS DAY in English 12 Jun 87 p 1

[Text] Cape Town--MPs and President's Council members are to received 12,5% salary increases from July 1, and elected MPs will be able to claim an extra R10 000 a year for secretarial and administrative costs.

This is the second increase in a year and follows the 27,5% they received on July 1 last year. The increases will push up Ministers' income by R15 250 to R137 250 a year, deputies' by R10 750 to R96 750 and MPs' and PCs' income by R7 250 to R65 250.

The increases and allowances were announced simultaneously in the three Houses of Parliament at the end of yesterday's sittings by the chairmen of the various Ministers' Councils.

They said no MP would personally gain financially from the R10 000 allowance. Rents and salaries would be paid directly to those involved.

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CSO: 3400/79

ANNUAL LAND BANK REPORT REVEALS DESPERATE PLIGHT OF FARMERS

Johannesburg BUSINESS DAY in English 10 Jun 87 pp 1, 2

[Article by Gerald Reilly and Mick Collins]

[Text]

PRETORIA — The desperate financial plight of hundreds of farmers is reflected in the 1986 annual Land Bank report released yesterday.

The farmers' long-term debts with the bank mounted during the year because of continued drought and crop failures.

At the end of last year, farmers owed the bank R2,38bn in long-term loan commitments, secured by mortgages and charges against fixed property.

The bank says this is an increase of R272m compared with the position at the end of 1985.

At the end of last year, unpaid interest and capital instalments associated with the loans amounted to R137,209m, an increase of R59,28m compared with the previous year.

The bank says the increase in arrears is attributable mainly to crop failures because of drought in large areas of the country.

At the end of last year, there were 34 592 long-term loan accounts.

During the year, the bank was compelled to "exercise its special powers of sale in 48 cases, compared with 15 the year before".

Meanwhile, the farming sector's debt has come crashing down on tractor sales.

From a high of 25 000 units sold in 1981, the tractor-manufacturing industry has plummeted to a record projected low of 4 200 units for 1987.

A further dip in tractor sales during May has raised concern among manufacturers that 1987 could become the worst on record.

The eight manufacturers represented by the SA Agricultural Machinery Association sold 267 units between them during the month — 40 fewer than for the same period last year.

Fed Mech registered the month's best sales (62), followed by John Deere (53) and Ford and Vetsak (44 each).

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CSO: 3400/87

BOPHUTHATSWANA PROJECTS TO DEVELOP BLACK ENTREPRENEUR FARMERS

Johannesburg FINANCIAL MAIL in English 22 May 87 pp 63-64

[Text]

The Agricultural Development Corporation of Bophuthatswana (Agricor) is working at establishing a core of efficient black entrepreneur-farmers, who will be capable of producing enough food in normal seasons to feed their countrymen.

Agricor has, since it was formed in 1978, by President Lucas Mangope, settled more than 2 500 farmers on 14 co-operative schemes run on similar lines to the Moshav co-operatives of Israel.

Waiting list

This year, another four schemes — two for raising cattle and two for general agriculture — will be started. However, there is still a waiting list with the names of 10 000 prospective farmers.

The average cost of developing a co-operative, which ideally consists of 22 farms with a total area of around 2 200 ha, is R2m-R3m. The Bophuthatswana government puts up 60%-70% of the funds, while the balance is borrowed from the Development Bank of Southern Africa (DBSA) at interest rates ranging between 4%-10%. The low rates act as an incentive.

Agricor now owes the DBSA R47m — apart from an amount of R15m which is in dispute — says GM Willie Maree.

Agricor aims to have each co-operative fully independent and managed by its own committee after 10 years.

Those selected to become farmers spend their first two years doing the actual physical work and acquiring essential skills. They are then put in charge of labourers and taught supervisory and management skills, as well as budgeting, preventive maintenance, and basic agricultural mechanics.

After that, each one is put in charge of a 100 ha unit which he farms under a project

manager for his own account. This is a normal probationary period. On some projects there is a 30% outright failure rate, while some 40% need to farm for another two or three years under supervision before they can go solo.

But, on a few schemes, a 100% success rate has been achieved.

Only those who qualify go on to become independent farmers. They are given loans to buy implements on hire-purchase from their co-ops; and each farmer gets a loan to pay for inputs such as fertiliser, seed and living expenses. They retain all the profits.

Farmers hire implements like planters — which are expensive and used for short periods only — from their co-ops. They also sell their crops through their co-ops, which deduct all debts and pay them the surplus.

Due to last year's drought, the largest profit earned by any single farmer was R1 700. Most lost money. But two years ago, when the season was more benign, the lowest incomes were in the region of R3 000.

The rest made net profits after deducting their living expenses of R20 000-R30 000, and one farmer cleared R51 000.

This year, the 440 farmers on the Taung scheme — which has 3 500 ha under irrigation in what is claimed to be one of the most successful irrigation schemes in southern Africa — should make up to R12 000 each. Had it not been for the drought which forced authorities to halve their water allocation, they would have more than doubled that amount.

A collective citrus scheme has also been started, where the co-operative will provide all technical input and do the spraying. Farmers are expected to initially make R6 000 to R8 000 a year from their 3 ha units, and about R12 000 a year when in full production in 1989.

The 3 157 ha Shiela project, now 10 years old, is an Agricor showpiece. "It is about to fly solo," says manager Hennie Strauss.

On average its 30 farmers have shown a profit of R100 a hectare per year. However, this year — with a good crop on the lands — they should show a profit of R150 a hectare. The budgeted cost of producing the crop was R330/ha, but good management brought it down to R280/ha.

The Shiela co-operative has proved so successful that 30 private farmers, who collectively farm another 7 493 ha nearby, have joined it.

It owes R3,5m, has R1,5m cash in hand, and is expecting a crop worth R5,5m. This will enable it to repay a R2m loan with the Agricultural Bank of Bophuthatswana on time in August, as well as R400 000 on a R1,5m loan it has with Agricor.

Another success story is the Ditsobotla scheme, which has been joined by 140 private farmers who collectively farm more than 35 000 ha.

Agricor is also involved in developing agriculture-related projects such as the R50m Thuo Koko broiler chicken plant, that will produce up to 150 000 birds a week and provide 800 jobs when it comes on stream by the end of November. ■

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CSO: 8400/87

TEBA'S PAYMENTS TO BLACK MINeworkERS LISTED

Johannesburg SOWETAN in English 25 Jun 87 p 17

[Text]

A TOTAL of R501,3 million in deferred pay, remittances, savings and benefit payments to black mine workers was paid out last year, the president of the Chamber of Mines, Mr E. P. Gush, said yesterday.

Addressing the annual meeting of the Chamber, Mr Gush said the money was paid out by the Chamber's employment company, The Employment Bureau of Africa (TEBA), whose field offices serviced an area roughly the size of Western Europe, extending through South Africa, its internal independent self-governing territories and five foreign countries, Mr Gush said.

The TEBA field operation provided an essential source of income to the communities most in need of economic support by channelling mineworkers' earnings to their families.

Mr Gush said: "If the amounts sent home by mineworkers through friends, banks and post offices were added to TEBA's traceable payments, these figures would reflect that over R1 billion finds its way back to the source communities in rural areas — a major benefit to the less developed areas of the region."

Workforce

Approximately 60 percent of the industry's workforce was engaged through TEBA within South Africa and its internal states. The remaining 40 percent of employees come from Lesotho, Mozambique, Botswana, Malawi and Swaziland.

"In 1986, the greatest number of men at work in any single month on gold, coal, platinum and other mines served by TEBA was 542 516 in September," Mr Gush

said.

"Payments made by TEBA in 1986 in the form of deferred pay, remittances, savings and benefit payments totalled R501,3 million. This figure reflects only traceable payments handled by TEBA.

"Some countries, notably Lesotho, Malawi and Mozambique, have come to rely heavily on the annual injection of foreign capital earned from compulsory deferred pay. The governments of these countries require that mineworkers be paid out a proportion of their wages at home.

"In 1986, an amount of R240,1 million was paid to Lesotho in deferred pay and remittances, a 17 percent increase over 1985, while Malawi received R36,9 million, in the form of deferred pay, an increase of 23,55 percent on 1985.

"Payments of deferred

pay to Mozambique amounted to R83,5 million. This was two percent less than in 1985 owing to the South African Government's curtailment of the supply of labour from Mozambique at the beginning of October.

Savings

"TEBA-cash, the voluntary savings scheme offered to mineworkers, increased its outlets from 123 to 133 in 1985. The number of depositors reached 171 792, an increase of 56 792 over 1985. Cash transactions on the mines totalled R346 million in 1986.

"TEBA-cash investments reached R102,2 million, with deposits totalling R83,2 million. An extensive advertising campaign stimulated interest among mineworkers," he said.— Sapa.

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CSO: 3400/100

DECLINE IN NUMBER OF FOREIGN MINERS EXPECTED IN NEXT 20 YEARS

Paris THE INDIAN OCEAN NEWSLETTER in English 23 May 87 p 6

[Text]

The South African threat of mass repatriation of foreign miners without notice as a reprisal for international economic sanctions against it has no economic justification; even so, it is logical to expect that in the next five years the number of foreign workers in the country's gold mines will fall to between 19 and 29 per cent of the total payroll, as against 80 per cent in 1973 and 40 per cent in 1983. This is the principal conclusion of a report just completed by the International Labour Office on foreign manpower in the South African goldfields and published in the International Labour Review. Such a development would mean the reversal of the make-up of the workforce in the mines in 20 years, from a ratio of four foreigners (mainly from Botswana, Lesotho, Malawi, Mozambique and Swaziland) to one South African at the beginning of the 1970s, to four to one the other way at the beginning of the 1990s.

The ILO report stresses that a retreat by the Pretoria government on the issue of repatriating Mozambican miners was forced on it by the South African Chamber of Mines, which persuaded the authorities that a large proportion of these workers were too skilled to be replaced on the spot. The Chamber of Mines secured in December 1986 a change in the repatriation order announced by the government three months earlier: Mozambican workers in pay grades four to eight, corresponding to fairly highly skilled jobs, as well as those in grades one to three with more than seven years' service, were allowed to renew their contracts. In June 1986 some 110,000 foreign miners out of a total of 317,400 held jobs classified as at least semi-skilled, and 41,000 more were considered relatively skilled.

However, as restrictions on the movement of the black domestic labour force are eased under new laws and the possibilities improve of access to categories of jobs hitherto reserved for whites, the ILO predicts that foreign workers subject to very strict rules on immigration will be gradually squeezed out. Another cause of this situation will be the tendency to concentrate recruiting operations in areas closest to the mines for reasons of economy. Finally, and above all, the increased wages of miners which have followed the rise in the international gold price has attracted more and more South Africans to work underground. Various improvements in conditions of work obtained by the black National Union of Mineworkers since it was set up in 1982 have also made the mines a better proposition for the domestic labour force, particularly at a time of national economic recession and rising unemployment.

GOVERNMENT SPENDING ON HOMELANDS TO INCREASE

Johannesburg BUSINESS DAY in English 15 Jun 87 p 4

[Article by Barry Streek]

[Text]

GOVERNMENT spending on the 10 homelands — both independent and non-independent — is to increase drastically during the current financial year, demonstrating a continued commitment to a policy which was originally devised to deny political rights to black people in "white" SA.

Indeed, in Parliament last week, a senior Nationalist MP — Dr Helgard van Rensburg, the Chairman of Committees in the House of Assembly — said it remained government policy for all the homelands to become independent.

Van Rensburg, speaking during the debate on the Constitutional Laws Amendment Bill, said the new law which grants increased powers to the self-governing homelands was "a further step on the road to their independence".

Confirmation that independence for the six self-governing homelands remains a government goal was provided in Cape Town last week when President P W Botha met the new Chief Minister of KwaNdebele, Chief George Mahlangu, and his cabinet for two hours to discuss the issue.

At the meeting, President Botha indicated that he would not stand in the way of greater autonomy or independence for KwaNdebele, provided "certain requirements" were met, including "some or other acceptable method of demonstrating that it has the broad support of the population".

Clearly, the Nationalist dream of political separation, one of the cornerstones of Dr Hendrik Verwoerd's policies of grand apartheid, remains central to government policy — and there is absolutely no indication that it is reconsidering that dream.

Increased

In the Budget, provision for direct spending on the 10 homelands increased by R1 732m during the current financial year to total R4 182m. In the previous financial year, R2 450m was budgeted for the homelands.

Under the Foreign Affairs vote in the Estimates of Expenditure, which were tabled in Parliament, R1 694m has been provided in budgetary aid, the incentive scheme for industries, the flour subsidy, the action programme for job creation, ad hoc grants, tax compensation and the salaries and allowances of judges.

The Estimates do not specify which amounts are to be transferred to the independent homelands of Transkei, Bophuthatswana, Venda and Ciskei.

Under the Development Aid vote, R2 488m has been budgeted for the six non-independent homelands. In the 1986/87 financial year R1 635 was provided for this purpose.

KwaZulu is to get R1 027,2m, compared with R744,5m in the previous financial year, Lebowa R712,3m (R421,4m), Gazankulu R319,7m (R189,3m), KaNgwane R157,3m (R110,6m), KwaNdebele R147,9m (R91,5m) and QwaQwa R123,9m (R77,7m).

A further R68,1m has been provided for the development of townships and infrastructure in the independent homelands and R39,6m for the purchase of land for consolidation purposes.

The cost of the Nationalist dream of separation is clearly becoming prohibitive.

Much of this expenditure is essential, no matter what policy was enforced or what government was in power. As long as people live in the homelands, government will have to spend money on education, health, pensions, agriculture and development.

'Depression'

Indeed, there is every indication that more resources should be allocated to the homeland areas because of increasing poverty.

For instance, the Minister of Finance in the Transkei, Gordon

Nota, said in his budget speech last month that, with the rate of unemployment now up to 50%, "the region is faced with the worst economic depression since the Thirties".

He also said that while about 80% of Transkeians still depended on agriculture for their livelihood, agriculture's contribution to the gross domestic product had fallen in the 10 years since independence in 1976.

But it is questionable, even for committed Nationalists, whether the additional political costs of separation, a system which has resulted in SA having 15 ministers of education, 13 ministers of health and 11 ministers of finance, can be afforded.

In 1982, the then Department of Co-operation and Development said: "In pursuance of government's policy of developing national states and bringing them to full independence, the full policy in practice is that blacks should be able to live and work in such states to the maximum extent."

That is still government policy. So is the goal of "independence" of the 10 homelands, as Van Rensburg made clear last week. It is the cost which keeps changing.

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CSO: 3400/100

SOWETO INCREASES SERVICE COSTS

Johannesburg BUSINESS DAY in English 15 Jun 87 pp 1, 2

[Article by Sophie Tema]

[Text]

SERVICE charges in Soweto are to be increased from October 1. Tariffs for the removal of refuse and sewage will go up by R4,30.

The announcement of the council's recommendation was made at the weekend by Soweto mayor Nelson Botile.

Town clerk Nico Malan said a plea had been made by the council to employers to review the wages and salaries of their employees to enable them to meet the proposed increase.

John Dinokana, a pioneer resident of Orlando West, said: "This is not the time for the council to even think of announcing rent or service charge increases.

"Hundreds of people are unemployed and cannot afford to pay even the present rates. Now the council introduces these increases.

"Instead of reducing rent and service charges as an incentive to get people to pay their rent, they announce more increases which people will not be able to pay."

Last week, the Sofasonke Party was asked by residents to take up the matter of the high electricity bills imposed on Soweto's registered tenants.

CHRIS CAIRNCROSS reports from Cape Town that employers are going to be effectively "press-ganged" into recovering from their employees some R297m in unpaid rent owed to local authorities around the country.

This is one of the main objectives of the "Rent Bill", the Promotion of Local

Government Affairs Amendment Bill, Department of Constitutional Affairs officials have confirmed.

They confess, however, that little thought has gone into outlining how this is to be done, or over what period of time it is intended to make up the substantial rent shortfall.

Nor is there much clarity over how, practically, they are going to deal with the ongoing rent boycott.

What is clear, however, is that the rent shortfall is not going to be written off.

The Bill — if passed into law — will effectively empower local authorities to unilaterally issue garnishee orders against employers to deduct outstanding rent and service payments from employees' wages and salaries.

It also clearly stipulates that if employers fail to carry out this task they will be guilty of an offence and liable to a fine not exceeding R2 000, or imprisonment for 12 months, or both.

The Bill has been widely criticised as being an "horrendous" piece of legislation, destined to considerably exacerbate the already tense industrial relations environment.

Attempts by government to introduce similar provisions into law last year via the Black Local Authorities Amendment Bill were widely opposed — even within government hierarchy, where they were seen as a recipe for employer-employee confrontation. As a result, the provisions were excised from draft legislation.

That they have again emerged indicates the difficulties government faces in dealing with the rent boycott, and its determination to force employers to deal with what is essentially a "political" problem for which there appears no solution.

In London, an Anti-Apartheid Movement (AAM) spokesman said yesterday a great deal of pressure would be exerted on companies with subsidiaries in SA if they complied with the Bill.

AAM executive secretary Mike Terry said: "Foreign companies want to be seen as challenging the regime. They make out they are a force for change. Should they be seen to be doing the government's work for them, our reaction would be immediate."

HELEN WISHART reports the new Bill has come under fire from the legal profession for eroding the authority of the courts.

Lawyers said the Bill enabled local authorities to take the law into their own hands.

If it was passed, local authorities would be able to procure and execute judgment against a debtor without his ever appearing in court or his defence being heard.

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CSO: 3400/100

NEW NATAL PROVINCIAL SYSTEM LAUNCHED; 43 PERCENT BUDGET INCREASE

Durban THE DAILY NEWS in English 4 Jun 87 p 2

[Article by Bruce Cameron]

[Text]

NATAL's budget has been increased by a whopping 43 percent to R1 084 million with the change from an elected provincial council to a Government-appointed system.

The new provincial system was launched in Parliament yesterday with a lack of clarity on how it is going to work.

The huge increase in the budget is attributed to its change in functions rather than any major new projects.

An explanatory memorandum states that a number of new functions have been transferred to the provinces from the Department of Constitutional Development, including social development, land allocation, certain functions of the Department of Environmental Affairs and the former Natalia Development Board.

To accommodate many of the new functions a Community Services Branch has been formed.

Of the total budget, R365 million goes on pay, pensions and provident funds for civil servants in the province.

Expenditure estimates are:

- ☐ General Administration has been increased by R6 million. The increase includes R3,9 million for a full security division and a R3 million expansion in the road traffic inspectorate;
- ☐ Hospital, medical and health services have been allocated R75,5 million, which is up by R19 percent;
- ☐ Roads and bridges are to cost R14,6 million, up 7,41 percent on last year;
- ☐ Public works are up by a slender 4,2 percent, (R2 million), but R3,6 million has been saved because of a reduced capital works programme;
- ☐ Miscellaneous services which include library services and conservation

have had an additional 23 percent allocated to make a total of R15 million.

Reasons for the increase include a R4,5 million increase in the R25,6 million grant to the Natal Parks Board, an extra R2,1 million to the Development and Services Board and an extra R2 million for the Natal Performing Arts Council — bringing its budget to R13,9 million;

☐ The new community services budget is R183 million with R64 million being spent on the functions of the former Natalia Development Board; local government division gets R3,3 million; and development planning, which includes industrial development, housing aid to blacks, local authority development and welfare is given R115,9 million.

The bulk of the money (R920-million) needed to run the province will come from the Treasury, with R168 million being raised in Natal from various sources.

Provincial taxation will contribute R100,9 million including R73,6 million from motor vehicle licences; R24,9 million from the horse racing taxes, and R860 000 from trade licences.

Charges for provincial services will raise R68 million, including R4 million in fines and R28 million in hospital fees.

The first public indication of the new provincial system came with the announcement of four joint committees (one for each province) of all three Houses of Parliament and the tabling of the budgets for the provinces.

The committees will meet for the first time today to decide many of the ground rules.

The introduction of provincial matters into Parliament follows the scrapping of the elected provincial councils and their replacement with government-appointed multiracial provincial executives last year.

This has been done to ensure some form of public accountability.

Mr Harry Schwarz, Progressive Federal Party finance spokesman, however rejected the system as it did not provide sufficient public accountability.

"It goes contrary to the fundamental principle of budgeting so that the representatives of the people have the right to withhold monies unless policies they approve are adopted."

Chairman of the Natal standing committee, Mr Con Botha MP, who is also runs National Party information, said the committees' functions could be divided into three.

They would consider proclamations amounting to provincial ordinances, the budgets and the reports of the Auditor-General on provincial spending.

Mr Botha said he felt that only meetings dealing with proclamations should be open to the public.

Meetings dealing with the budgets or accounts of the provinces were basically being held for MPs to extract information which would then be used in parliamentary debates.

Chief Director of Constitutional Promotion in the Department of Constitutional Development, Mr Len Dekker, said the budgets of the provinces would go before the standing committees before second reading.

The committees would not have the power to block the budgets

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CSO: 3400/85

DURBAN CITY RATES INCREASE BEATS INFLATION

Durban THE DAILY NEWS in English 27 May 87 p 1

[Text]

RATES on Durban properties increased by 13-15 percent — below inflation levels — in the city's R1 400 million draft budget released today.

And in Pietermaritzburg, the rates increase is more than 16 percent in a capital hard-hit by huge losses on its transport service.

Durban's City Treasurer, Mr Willf Stone, said rates for flats and houses and other properties such as factories would be increased by 13,6 and 15,2 percent respectively from July 1.

And the chairman of Pietermaritzburg's finance committee, Miss Pamela Reid, said the rates increases there had been introduced to balance the R198 million budget and meet an expected deficit. Rates on residential properties would be increased by 16,2 percent.

Rates on other properties would be increased by 16,7 percent.

Miss Reid said Pietermaritzburg's transport department was expected to run at a loss of R4 500 000 — because of minibus taxis.

Back in Durban, the increases were below the city's inflation rate of 15,8 percent — and less than both Cape Town and Johannesburg, where rates increased by more than 18 percent.

Mr Stone said the city's total budget had been increased by 15,4 percent to nearly R1 400 million. Last year it was R1 300 million.

"But in the circumstances I am very pleased with the city's finances. We are continually looking at holding down costs and restricting our expenditure."

For at least the fifth year running, Durban has retained its "debt-free" status with the city's external loans of R271 million being more than covered by external investments of R744 million.

There was therefore a surplus of R473 million in the city's favour, which would strengthen in this financial year.

This could be attributed to Durban's great success story, the Consolidated Capital Development Fund, which since the middle '50s had accumulated savings of R764 million.

It had been predicted this amount would rise to R830 million by June next year and to a billion by 1991.

If this fund had not existed, Durban's rates increases could have been almost 15 percent more.

"But when you consider the very considerable expenses the city is having with regard to our new Centrum area in the middle of the city, and also the Revel Fox beachfront scheme, we are proud of this achievement," Mr Stone said.

MAJOR SHIPPING COMPANIES MERGE

Johannesburg BUSINESS DAY in English 12 Jun 87 pp 1,2

[Article by Mick Collins]

[Excerpt] In a major shipping move, Grincor has announced the merger of a main operating division, Grindrod & Company, with the Mitchell Cotts group in SA.

In a statement released in Johannesburg yesterday, chairman of the JSE-listed Grindrod Unicorn group, Murray Grindrod, said the merger of the shipping and transport divisions would be effective from July 1.

The move follows a recent cautionary statement issued by the board of the Grindrod Unicorn group and is expected to have a significant effect on Grincor's earnings in the medium term.

While the merger will have no impact on earnings in the current year, Grindrod says it will have a significant effect on earnings in the medium term.

"The merged operations will be managed by Grindrod Cotts Limited, with Grindrod & Company holding two-thirds of the capital and Mitchell Cotts the other third."

Grindrod said the merger was in keeping with Grincor's strategy to increase its role in SA's national and international transport infrastructure.

/13046

CSO: 3400/79

VEHICLE SALES DROP BY 7.9 PERCENT

Johannesburg BUSINESS DAY in English 10 Jun 87 pp 1, 2

[Article by Mick Collins]

[Text]

DESPITE a 7.9% dip in May sales compared with April, the motor industry is confident it has sloughed off the cheerless conditions which have gripped it for the past three years.

Overall sales dropped by 2.8% compared with the January/April monthly average — but easily topped those of May 1986 by 9.4%.

At the same time, year-to-date figures were up 12.5% on the first five months of last year.

All market sectors shared in the May decline, passenger vehicle sales of 14 812 units dropping from April's 16 253 units.

National Association of Automobile Manufacturers of SA (Naamsa) director Nico Vermeulen said the lower level of sales in all four sectors had to be viewed in the context of the relatively high number of public holidays during the month.

Added to this were stock shortages in respect of certain car product lines and various light commercial vehicle models.

Pre-buying during March and April and the absence of special sales offers and incentive schemes during May had also contributed to the lower levels.

Vermeulen said: "Overall, the underlying technical trend remains positive and, while the figures are below expectations, the gradually improving economy — reinforced by replacement demand for new motor vehicles — should ensure 1987 new vehicle sales exceed 1986 levels by up to 12% in unit terms."

June and July car and commercial vehicle sales were expected to rebound

to the higher sales levels prevailing earlier in the year.

Nissan marketing director Stephanus Loubser said he did not see May sales as a sign that the market was declining but rather as a technical adjustment.

He said: "There are signs that companies' interest is returning and fleet sales are on the increase."

Toyota marketing director Brand Pretorius said the figures were "a little disappointing. They show that the vehicle sales market continues to be somewhat hesitant, volatile and uncertain and that we are still on the uphill road to recovery".

Passenger car sales were down by 8.9% over April, down by 5% on the January/April 1987 average, but up by 7.7% on May last year and up 10.6% for

the year-to-date compared with the first five months of 1986.

The top 10 list of best sellers was led by the VW Golf/Jetta with 2 641 sales, followed by Toyota Corolla 2 337, Delta Kadett/Monza 1 259, Honda Ballade 1 144, Toyota Cressida 1 142, BMW 3-series 1 010, Ford Laser/Meteor 767, Mazda 323 with 761, Mercedes 124 with 741 and Langley Pulsar 689 units.

Toyota again emerged as market leader in the passenger vehicle sector with sales of 3 487 (23.5%) followed by VW 3 008 (20.3%), Samcor 2 448 (16.5%) — made up of Samcor Ford 1 242 (8.4%) and Samcor MMI 1 206 (8.1%) — and Mercedes-Benz 2 056 (13.9%).

In the light commercial market, Toyota took top spot with sales of 2 564 units (35%) ahead of Nissan 1 480 (20.2%) and Samcor 1 479 (20.2%), made up by Samcor MMI 797 (10.9%) and Samcor Ford 682 (9.3%).

In the medium commercial sector, Toyota sold 115 units (37,5%) followed by Samcor 85 (27,7) — Samcor MMI's sales of 70 units representing 22,8% and Samcor Ford's 15 units representing the balance of 4,9%. Third was Delta with 58 sales (18,8%).

The heavy commercial sector was led by Mercedes-Benz with sales of 206 units (38,5%) followed by Toyota 100 (18,7%) and Nissan 77 (14,4%).

/13046

CSO: 3400/87

BREAKDOWN OF MILLIONS SPENT FOR BORDER PROJECTS

East London DAILY DISPATCH in English 6 Jun 87 p 1

[Text] CAPE TOWN — Approximately R10 600 000 will be spent on building and alterations to police stations, court houses, prisons and hospitals for mental health in the Border area in the coming financial year.

The amount includes R380 000 to be spent on the building of homes for South African diplomatic staff in Umtata, Transkei.

The total amount scheduled to be spent by the Department of Public Works and Land Affairs in the whole country will be R472 million.

A memorandum released here by the Minister of Manpower and Public Works, Mr Pietle du Plessis, said R1 500 000 would be spent this year on the R3 700 000 Woodbrook police station in East London.

The money is for a radio station, radio control, a mortuary, a dog patrol unit and riot squad.

Work has cost R2 100 000 up to this stage, and a balance of R60 000 will have to be provided later to complete the work.

A further R200 000 will be spent on new ad-

ditions and conversions to the Cambridge police station in East London. The estimated cost of this work is R2 400 000, of which a balance of R2 200 000 will need to be provided for.

A sum of R670 000 has been provided for the new Adelaide police station, mortuary and single quarters. The estimated cost is R1 500 000, leaving a balance of R850 000.

The Kenton-on-Sea police station and court has been provided with R60 000 for this year. The R1 400 000 project has cost R1 300 000 so far and a balance of R80 000 will be needed later.

Cradock's prison and quarters has been allocated R4 500 000 but is scheduled to cost R14 600 000. The project has cost R2 200 000 to date and this leaves a balance of R7 900 000.

Additions and improvements to East London's Fort Glamorgan Prison have been allocated R500 000. The project was scheduled to cost R7 800 000, of which R6 800 000 has been spent already. A balance of R490 000 will have to be provided later.

Additions, alterations, a new laundry and an enlarged nurses' home at Tower Hospital, in Fort Beaufort, have been budgeted at R300 000. R6 800 000 has already been spent on the R7 800 000 project, leaving a balance of R870 000 to be provided later.

A sum of R240 000 will go towards the conversion of Ward 10 at Grahamstown's Fort England Hospital and to repairs and renovations to various buildings. The project will ultimately cost R3 100 000, of which R2 600 000 has been spent. The balance remaining is R220 000.

A new ward for 120 people at Komani Hospital, in Queenstown, will cost R5 million. R1 600 000 will be provided this year, leaving a balance of R3 400 000 to be provided later.

A project to provide additional accommodation at Komani will receive R600 000 this year. This brings to the close a R11 300 000 project on which R10 700 000 has been spent already.

The hospital's improved sewage connection will also receive R90 000 this year. The R160 000 project has cost R60 000 so far, leaving a balance of R10 000.

PALMIET PUMP STORAGE PROJECT NEARS COMPLETION

Cape Town CAPE TIMES in English 13 Jun 87 p 5

[Article by Chris Bateman]

[Text]

THE first of two hydro-electric turbines of the R470 million Palmiet Pumped Storage Scheme near Grabouw will be commissioned for testing by early November this year with both turbines fully operational by April next year.

Half capacity (200 Megawatts) from the first turbine will be available for the national grid by the end of the year.

This emerged from an official day-long media tour of the site in the picturesque Hottentots Holland mountains on Thursday.

The project, which began in early 1982, involves pumping water from the Kogelberg reservoir on the Palmiet River up 290 metres of mountainside into the Rockview Dam. During peak electricity demand, water flows back down to turn the turbines. The upper dam will be continually "topped up" at weekends when electricity demand is lowest.

All construction is running on schedule, officials said.

Journalists were yesterday taken to the heart of the massive turbine wells 40 metres underground and to the top of what is claimed as the largest rockfall dam wall in the country, Rockview Dam.

The 1,8km canal section of the 3,8km water link between Rockview Dam and the adjacent Steenbras Dam has been completed but further work has been suspended.

According to Mr Neil van Wyk, Resident Engineer, Department of Water Affairs, projected water requirements for the Cape Town area will only make this necessary in 1993.

"But in an emergency situation we could put extra water in the Steenbras Dam within two weeks," he said.

The scheme, situated among one of the richest floral and fynbos reserves in the country, has won an award for environmental impact control, and has from inception used a resident environmental control consultant.

The second and more controversial phase of the scheme, to build a third dam below the Kogelberg Reservoir and inundating a vast area of natural fynbos, has been shelved because of pressure from environmentalists.

Construction site manager Mr John Berry said: "It is an exceptionally sensitive ecological area. For Escom it is not economically viable. We are not so desperate and there are far more stable sites elsewhere."

The entire scheme will provide 400 megawatts for the national grid.

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CSO: 3400/99

BRIEFS

KWANDEBELE TO GET 34,300 HA--Parliament--An area of 34 300 ha covering 13 farms, which included the Rust der Winter irrigation scheme of 1 836 ha, would be incorporated into kwaNdebele, Constitutional Development and Planning Minister Mr Chris Heunis said yesterday in the House of Assembly. Replying to a question by Mr W J D va Wyk (CP Witbank), Mr Heunis said the incorporation would take place as soon as approval had been granted by Parliament to proclaim the area a released area.--Sapa. [Text] [Johannesburg THE STAR in English 10 Jun 87 p 4] /13046

BIG DROP IN COAL EXPORTS--Coal exports in March are at their lowest level since 1984. Figures released yesterday by the Minerals Bureau show 2,28-million tons exported in March, which is 36% down, compared with 3,56-million tons in the same month in 1986. Despite the average price of coal recovering to R61,35 a ton, up from R55 a ton in February, total revenue from exports plummeted R40m to R139,6m (R187,9m in February). This on a par with export revenue from coal in early 1984, and 45% below last year's monthly average of R255,6m. [Text] [Johannesburg BUSINESS DAY in English 12 Jun 87 p 1] /13046

MILLIONS ON PRETORIA PROJECTS--The Pretoria City Council plans to spend R230,9 million on capital projects in the next financial year, beginning on July 1. An amount of R204,9 million is provided for in the capital budget, while R26 million will come from the revenue account. The budget provides for R41,7 million to be spent on road construction and related works. This is an increase of 17 percent on the amount of R35,6 million set aside for road works in the current financial year. The chairman of the Management Committee, Dr Gerhard Davidtsz, said in his budget speech yesterday the amount provided for the continuation of extensive road projects such as the doubling of Potgieter Street and the doubling of Lynnwood Road between Daventry Road and Rubida Street. The Quagga Road project would be completed in the next financial year and good progress would be made with the widening of Vom Hagen Street in Pretoria West. An amount of R45,2 million was budgeted for the city's electricity distribution network and depots and R5,4 million for the renovation of its power station. [Text] [Johannesburg BUSINESS DAY in English 12 Jun 86 p 1] /13046

SASOL-TYPE PROCESS FOR MOSGAS PROJECT--The Central Energy Fund (CEF) has chosen the synthol process to produce liquid fuel from the Mossel Bay gas fields, say senior fuel industry officials. The process is similar to the synthesis technology used by Sasol for its oil-from-coal operations and means the necessary technology and raw materials are available within SA. The CEF refused yesterday to confirm a decision had been taken. However, industry officials said an announcement would be made soon. They said it would take about four years to build a plant. The CEF had chosen the synthol process because of its proven success at Sasol, a consultant said. Alternative processes either did not meet demands or were unproven on a major scale. Some, such as the Mobil process being used in New Zealand, produce only petrol, whereas the CEF wants diesel and other fuels as well. A modified Mobil process is able to produce a range of fuels but it has not been tested on a commercial scale. The consultant said he expected Sasol Technology to be asked to design the Mossel Bay plant. Sasol officials would not comment yesterday. [By David Furlonger] [Text] [Johannesburg BUSINESS DAY in English 18 Jun 87 p 1]

MOST WORKERS IN MANUFACTURING--Manufacturing remains the biggest sectoral employer in industry, with nearly half the country's registered workforce. Government figures show 1,32-million people of a total of 2,72-million were employed in manufacturing in April. Biggest employer was the food industry, with 170 600, with metal products next with 12 900. Mining, the next biggest sectoral employer, had 741 000 workers in February. Construction employed 295 000, transport 203 000, communications 98 000 and electricity 57 000. [Text] [Johannesburg BUSINESS DAY in English 17 Jun 87 p 2] /13046

CSO: 3400/100

DURBAN TAKES LEAD IN TACKLING NATION'S GROWING SQUATTER CRISIS

Squatter Settlements Regarded as Permanent

Durban THE DAILY NEWS in English 3 Jun 87 p 1

[Article by Richard Compton]

[Text]

DURBAN yesterday took the lead in tackling South Africa's growing squatter crisis by deciding to regard squatter settlements as permanent.

The City Council had been warned that with more than 1.5 million squatters on Durban's borders, and more people pouring into Durban than any city in the world apart from Mexico City, they could not let another Crossroads develop.

The council debated a Health and Housing Committee recommendation that, as a policy decision, squatters and their settlements be regarded as permanent.

Councillors one by one stood up to congratulate the committee on its proposals, then almost unanimously adopted a flexible attitude to squatter settlements around Durban.

The council's new policy is threefold:

- that all illegal shacks and squatting areas in and outside the city be positively identified and accepted;

- that the City Engineer identify land that can be developed for basic rehousing;

- that as this land is acquired, so squatters get moved to these more formalised areas.

Mrs Margaret Winter, chairman of the Health and Housing committee, said Durban's squatter problem was on two fronts — informal settlements inside and outside its boundaries.

"How we can actually go about implementing these policies is a matter of negotiation. We have to involve the people and we have to approach each settlement separately. But we must have a policy. That is vital."

And Nationalist councillor Mr Jan Venter asked that council understand squatting as a world-wide phenomenon.

"It is our duty as Christians to look after these people. But because there is no final solution to this massive problem — no one has answers — then I and the city appeal to anyone and everyone to come forward if they have sound advice. We need help. We cannot afford to allow a Crossroads here,

so we must take steps now, and do so in consultation with the people affected. We must recognise that these people are battling to survive and we should help them in their struggle."

Many councillors emphasised the permanence of the settlements. The root cause of the problem was the distribution of land, said Mr Crispin Hemson.

- The Durban City Council was showing a far greater grasp of reality than the Government in recognising the permanence of squatters. PFP spokesman Mr Pierre Cronje, told our political staff today Mr Cronje said the council had shown considerable "enlightened thinking"

Creating Jobs for Marginal Areas

Durban THE DAILY NEWS in English 5 Jun 87 p 11

[Article by Richard Compton]

[Text] Durban City Council is being urged to quickly follow up its highly praised stance on the permanence of 1,5 million squatters inside and outside the borders of the city.

"What the city's fathers have said is really a very progressive step. But accepting squatter settlements as permanent is one thing; helping this burgeoning informal sector to enter the job market in the city or to work from their homes is another and vital component of the overall strategy to absorb unemployment," said Mr Tony Kedzierski, head of Natal's Small Business Development Corporation.

The true extent of the size of the Durban population and the growing unemployment can be appreciated in these two maps from Durban Focus, a City Engineer's Department publication, which show the basic breakdown in population distribution throughout the city.

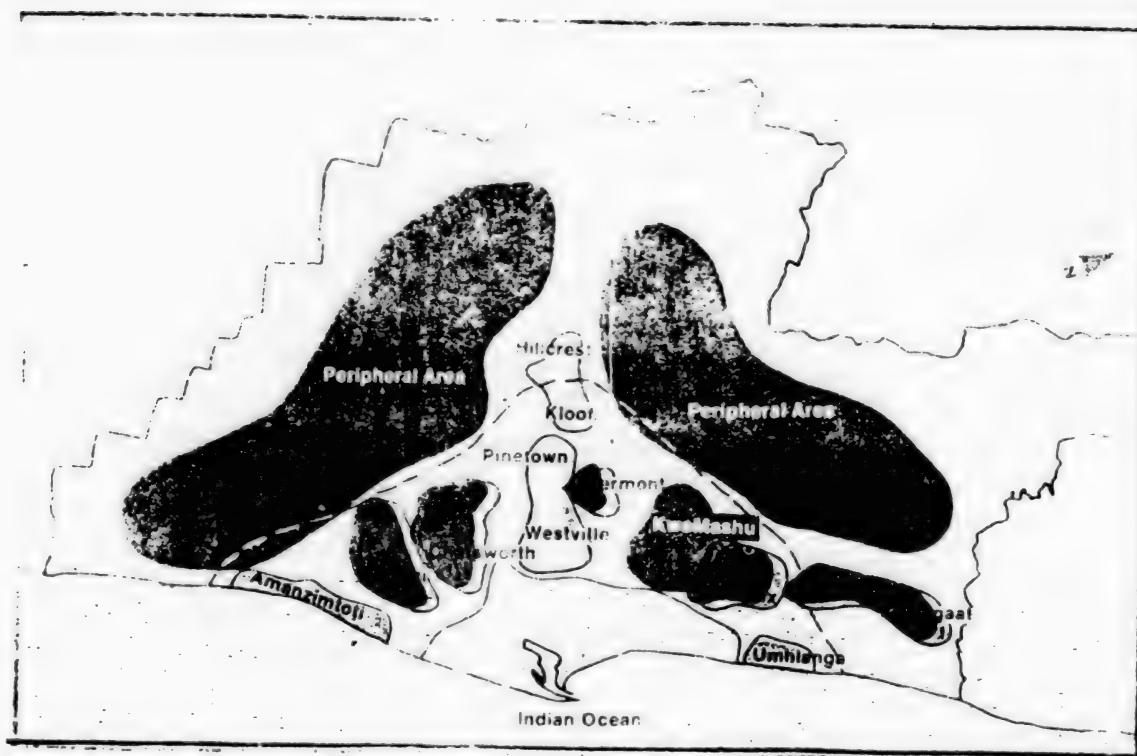
There are about R3,5 million people in the greater Durban area--and only about one million of these are employed. And almost half of the entire greater population lives in the 'informal', peripheral areas!

The map (right) shows the approximate boundaries of what is regarded as the Durban Functional Region. It is a term used to define people and communities who work and shop in the city or surrounding areas and who identify themselves as living "in Durban".

Mr Kedzierski said in the light of the council's policy to squatters, there were two major priorities that the council should urgently pursue now.

- The creation of Enterprise Zones in the city. For example, helping upgrade run-down areas of the city (Warwick Avenue) in order that the small black entrepreneur can open a small business, employing five people or more. To do this the city should help formalise a lot of backyard "illegal" activities by giving the small man a year's respite in not paying rates and rentals; and
- The encouragement of Home Industry. To allow people to run businesses from their homes with the minimum of regulations to obstruct them.

Mrs Sheena Duncan, the director of the Black Sash Advice Office in Johannesburg, said the council's attitude towards accepting and relocating squatters when available land was found was "absolutely splendid".



A LAYOUT of the vast numbers of people living on the city's boundaries.

MAPPING OUT THE POPULATION:

| | |
|------------------|----------|
| Amantshu | -----1% |
| Chatsworth | -----6% |
| Pinetown | -----3% |
| Durban | -----14% |
| Phoenix | -----4% |
| Kwamashu | -----5% |
| Peripheral Areas | |
| Randgebiede | -----48% |
| Kloof Hillcrest | -----4% |
| Clermont | -----3% |
| Tongaat/Verulam | -----2% |
| Umhlanga | -----1% |
| Umlazi | -----8% |
| Westville | -----1% |

The large slice of the cake where the so-called "illegal" population lives.
 Population figures: Whites 317,000; Coloreds 64,000; Indians 553,000;
 Blacks, formal areas, 85,000, and informal, 1.7 million.

/13046

CSO: 3400/88

CAMPAIGN TO SOLVE BLACK HOUSING CRISIS GETS BOOST FROM TWO SECTORS

Durban THE DAILY NEWS in English 5 Jun 87 p 14

[Text]

CAMPAIGNS to beat the black housing crisis and promote home ownership have received a double boost from two separate initiatives.

Progress was spelled out at functions in Durban yesterday by Sanlam chairman Dr Fred du Plessis, also chairman of the SA Housing Trust, and by National Investment Corporation (NIC) chairman Ambrose Nzuza.

Dr du Plessis indicated that the trust could soon initiate the building of 10 000 houses on a unique self-help basis while, at a Press conference, Mr Nzuza outlined spectacular growth of the year-old largely black-owned NIC. The Durban-headquartered company had sold properties worth R2,8 million and built 27 houses in the past two months. It has provided jobs for 300 people.

Mr Nzuza challenged the authorities to provide land and finance for housing — to score a strategic point in the "bitter and savage battle for man's mind".

He said the red tape tangle meant paperwork took longer than building a house.

"We are calling on people who own the land — the central and KwaZulu governments and municipalities — to make pieces available to the seething masses who have flocked to the towns and have no accommodation.

"They cannot go back to the land. The land is too small for them; it is eroded and incapable of supporting life. It is the glitter of urban life as well as job expectation that drives our people to the towns.

"Enforced removals by the white farmers and the central Government have compounded the issue further."

Mr Nzuza also appealed to financiers to make loans available "not for charity but for a secure and profitable investment". He said if capitalism had no benefits for blacks, who could blame them if they turned their backs and embraced other "isms".

He said a mistake of government had been to set arbitrary standards as ceilings for black advancement. "It did not expect blacks ever to demand more than it had prescribed for them. As we all know, the consequences have been disastrous.

"We have to infuse a sense of hope into our people by giving them a sense of belonging."

That, he said, was the inspiration behind the formation last year of NIC — with blacks building for their fellow men. NIC's board had faced a difficult choice between operating in the more competitive lower end of the market or the long-neglected upper end.

The company had decided to help blacks raise their eyes to higher social status and personal pride.

Addressing Sanlam shareholders in the city later, Dr du Plessis said that the original housing trust allocation of R750 million had been cut to R450 million as the Government had decided to spend the balance on housing itself.

However an additional R800 million was expected — the trust

was waiting for an opportune time to bring the life insurance funding into the project.

He said the State should not be seen as the Godfather of Housing but the Big Brother in a partnership with an unshackled private sector in the provision of homes. "We have to get away from the idea that the State is the provider of housing."

The key to the trust's programme was to enable an economic surplus to arise for the homeowner. "This surplus is represented by the labour element which can be put into the house by the owner himself — the well-known sweat equity concept."

The Sanlam chairman foresees the building of 60 000 to 70 000 homes annually in this way.

At the function, Dr du Plessis also defended the group against growing criticism of its huge control over many companies. He said that large institutional investment was an important asset for the big subsidiaries in its stable.

He said despite retrenchments, Sanlam's various subsidiaries had increased employment by a net 42 000 people last year.

/13046

CSO: 3400/84

GOVERNMENT PLANS NEW CAPE CITY

Johannesburg BUSINESS DAY in English 17 Jun 87 p 1

[Article by Mick Collins]

[Text]

GOVERNMENT will reveal plans for a new R2bn city on the Cape Flats today when it formally signs with seven private sector building contractors in Cape Town.

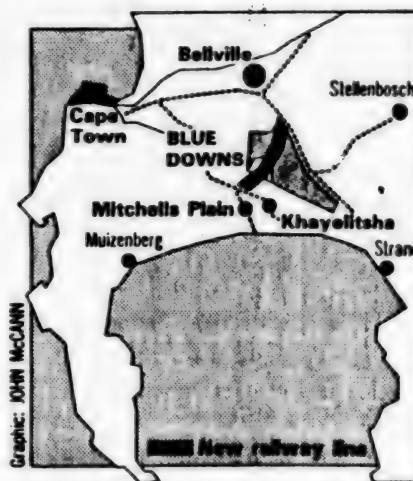
The huge Blue Downs housing project for coloureds is seen as the first major move by government to privatise the provision of mass housing.

The first phase of the new city, which will consist of 40 000 homes to house 250 000 people, will call for the construction of 7 500 units and is expected to initially employ about 2 000 construction workers.

After 18 months in the planning stage, schools, shopping centres, clinics and medical centres are to be built in what will be the last major housing development in the Western Cape.

A new rail link to service the city is also to be built at a cost of R250m.

The seven developers are Murray &



Roberts, Bester Homes, Vista Homes, Garden Cities, S M Goldstein, LTA Comiat and Schachat Cape.

Sports facilities planned for the city include a massive complex comparable to Ellis Park in Johannesburg which will house swimming pools, tennis courts and a huge arena.

Blue Downs director Carel Marais says R20m has already been spent on underground infrastructure.

The 11km, high speed railway line, will link Mitchell's Plain, Khayelitsha and Blue Downs with Bellville.

It will go underground through a new R100m city centre at Blue Downs.

/9274

CSO: 3400/102

RIGHTWING YOUTH POSTERS URGE REPATRIATION OF BLACKS

Cape Town THE ARGUS in English 8 Jun 87 p 5

[Text]

JOHANNESBURG. — Rightwing youth posters bearing the words "Stop terror — repatriate all non-whites" have been put up in Johannesburg and Verwoerdburg.

Police said a complaint had been lodged and would be referred to the Attorney-General.

The poster, in similar colours to the Afrikaner Weerstandsbeweging, belong to an organisation named Blanke Bevrydingsbeweging (BBB).

The posters carry the initials BBB and an emblem — a diamond shape with two tails.

A spokesman for the Verwoerdburg Town Council confirmed that the council had given consent for the posters to be displayed.

She said the application to display the posters had been made by the "Blanke Bevrydingsbeweging," which said it was a cultural organisation.

"CULTURAL POSTERS ALLOWED

"The council may refuse only posters with an immoral content," the spokesman said. "The by-laws allow posters of cultural organisations."

She said the Town Council approved the wording of posters before allowing them to be set up.

A spokesman for the Pretoria City Council said today it had refused permission for the organisation to display posters in the city.

No comment could be obtained from the Johannesburg City Council.

/13046

CSO: 3400/84

NEW RESTRICTIONS ON TOWNSHIP FUNERALS PASSED

Johannesburg THE STAR in English 17 Jun 87 p 1

[Text]

New restrictions on funerals in nearly all townships in the Transvaal, Eastern Cape and Natal were announced last night in a special Government Gazette.

Divisional Commissioners in Soweto, on the East Rand, in Port Natal and Eastern Province issued the restrictions under the emergency regulations.

The new restrictions required that permission must be obtained from the Divisional Commissioner on the time, date and place of a funeral of any victim of unrest or police action.

CORTEGE ROUTE

No service or commemoration may be held in the open air unless it is at the graveside and only an ordained minister may conduct a funeral service.

No loudspeakers may be used and the number of mourners has been restricted to 200.

No funeral service may take longer than three hours and the cortege must follow a specific route approved by the Divisional Commissioner.

Pamphlets, flags and banners have been banned at all funerals and no more than one unrest victim may be buried at any one time.

/9274

CSO: 3400/102

PRIEST DISCUSSES REASONS FOR DETENTION

Johannesburg THE WEEKLY MAIL in English 19-25 Jun 87 p 16

[Article by Mono Badela]

[Text]

"I'M not bitter," says the priest who told a court that he was tortured in detention.

Father Smangaliso Mkhathshwa, released last week after a year in detention, bears no malice towards the people he says blindfolded and tortured him for two days last August.

"I know very well they were paid to do just that and more important they are defending the apartheid system."

The general secretary of the Southern African Catholic Bishops' Conference (SACBC) was freed from Emergency detention last Thursday, but kept in custody for an extra day as an awaiting trial prisoner.

He finally walked free on Friday after he was granted bail by the Pretoria Magistrate's Court, where he appeared on a charge of illegally possessing a firearm.

In an interview with *Weekly Mail*, Mkhathshwa said he was still mystified about why he was detained in the first place.

Accusations that he was involved in training youths to make petrol-bombs and that he had helped keep children out of school were devoid of all truth, he said.

"Obviously I am very relieved to be free but unhappy that there are many people who are still unjustly detained," Mkhathshwa said.

He was "appalled and disappointed" at the continued detention of Zwelakhe Sisulu, editor of the *New Nation*, which is funded by the SACBC, and that of Sister Bernard Neube of Krugersdorp, a Catholic nun who is president of the Federation of Transvaal Women.

"Zwelakhe is definitely no threat to the security of the state, nor was there anything sinister in his newspaper," Mkhathshwa said.

He urged President PW Botha to swing open prison gates and set free all those detained "unjustly". To continue jailing detainees would not solve the country's problems, he said.

He also urged the government to lift the State of Emergency and release all political detainees. "This is important in order to create a new climate for genuine negotiation.

"South Africa is a great country but there is someone who is messing it up. All we need is a real democracy, a non-racial and undivided South Africa — not the banana republics — and real, full participation of all citizens in the highest decision-making structures in the government."

Mkhathshwa said there was no point embarking on schemes bound to fail.

"South Africa must learn from the old Rhodesia that these solutions just do not work."

Mkhathshwa has been the subject of several court applications recently. In August last year, the SACBC brought an urgent application to restrain the police from torturing him. Papers before court alleged he had been stripped naked and forced to stand blindfolded for more than 30 hours, and that his genitals had been bitten by what he believed was a rodent or insect.

Without making any admissions regarding maltreatment, the police gave an undertaking the priest would not be assaulted.

More recently, Mkhathshwa's attorneys launched legal action against the SABC and the *Citizen*, charging they implied he was linked to an arms cache discovered in the Transvaal.

The 47-year-old priest is the first black elected to the influential position of SACBC general secretary. In May he was re-elected for an unprecedented second term.

His detention sparked an international outcry and the papacy joined thousands of other clerics and organisations in petitioning Botha to release him.

Born in Barberton in the Eastern Transvaal in July 1939, Mkhathshwa entered St Peter's Seminary in 1960 and was ordained in 1965.

He has been seconded to the SACBC general secretariate in Pretoria since 1970, apart from a spell at a Belgian university where he gained a B Phil degree and a masters in dogmatic theology.

He made his entry into resistance politics during the height of the late Steve Biko's black consciousness movement in the early Seventies. In 1974, he was organising secretary of the steering committee of the Black Renaissance Convention, a seminal meeting of black leaders in Hammanskraal.

When he moved to Pretoria, he refused a church offer of accommodation in Khanya House, the SACBC headquarters. He insisted on living in the township.

His name was added to the long waiting list for houses in the area.

Meanwhile, he lived as a lodger in Soshanguwe.

Mkhathshwa spent his first days in detention during a crackdown in 1976, when he remained in solitary confinement for six months.

In 1977, after a five-month period of detention, he was banned for five years and restricted to the Pretoria magisterial district with severe restrictions on his pastoral, social and academic activities.

Mkhathshwa had to be house arrested to get a house. When they decided to restrict him, they finally gave him a house to isolate him from others. He was not allowed visitors, nor to speak to more than one person at a time.

Soon after his banning order ended, Mkhathshwa was invited to talk to the Student Christian Movement at Fort Hare University in 1983. This time he was arrested by Ciskei homeland police and spent five months in solitary confinement in Alice.

Mkhathshwa, who lives in Soshanguwe, outside Pretoria, was elected one of the United Democratic Front's patrons in 1983.

He said this week he would continue his work as usual. "Nobody is going to deter me from doing so."

"The Church is the people," he said. "If it is to be relevant it must not only prepare the people to go to heaven, it should also look after their needs, their problems and their welfare. It must fight for justice and reconciliation."

PLANS TO REHABILITATE, RE-EDUCATE POLITICAL ACTIVISTS CRITICIZED

Johannesburg THE WEEKLY MAIL in English 19-25 Jun 87 p 3

[Article by Jean Le May]

[Text]

LEGISLATION to establish "training and rehabilitation centres" for "intimidators and politically motivated juvenile delinquents" and to make military service compulsory for all races is contemplated by a committee of the President's Council.

The chairman of the Social Affairs Committee, former National Party whip Nic Treurnicht, said he was "quite hopeful" that the most important recommendations of a report tabled this week would become government policy.

Although few President's Council recommendations have reached legislation without substantial amendment, they are acknowledged as a clear guide to government thinking. Legislation frequently follows PC recommendations. It is unlikely, however, that any of the recommendations will be implemented this session.

The report was approved by all committee members sent to the PC by political parties in the House of Representatives and the House of Delegates. However, National People's Party MP Ismail Jajbhay said in the House of Delegates that the NPP did not approve conscription as suggested in the report, but was prepared to negotiate the aspect once there is an equitable system.

Progressive Reform Party leader Pat Poovalingam, speaking in the House of Delegates, said the proposed youth centres would be

"similar to re-education centres in communist countries".

The Progressive Federal Party representative on the committee, Robin Carlisle, was the only member who refused to sign the report. He has described it as "gobbledygook and rubbish" which would be a slur on the intelligence of a Std 8 pupil.

Other highly controversial recommendations of the Nationalist-dominated committee could evoke widespread black protest if they became law.

The committee also recommended the extension of compulsory military service to all races, including blacks, the setting up of "community schools" for early school-leavers and the establishment of an education and training programme with "an anti-communist drift".

An entire section of the report is devoted to the End Conscription Campaign, which is described as "undermining authority".

The trend towards reducing authoritative guidance could promote lack of discipline, it said. The ECC, which has conducted a "well-planned programme throughout the country", was conducting a propaganda campaign against the SA Defence Force and the SA Police, and its influence should not be underestimated, it added.

The Ministry of Defence said in a

written submission to the committee that "young people are being exploited in an attempt to create a revolutionary climate in South Africa".

The committee also recommended stricter censorship to counteract the "negative influence" on young people of violence, sex, drugs, alcohol and "satanism" as depicted by the media, including films and television.

The committee expressed the opinion that some of the music to which young people listen "breaks down standards and has a physically and spiritually demoralising effect".

The report said that the United Democratic Front was, like the African National Congress, not only a front organisation for communist Russia but also received instructions from the Kremlin.

Revolutionary incitement among young people was a contributory cause of the riots in South Africa.

"Young people are integrated as 'comrades' into the 'liberation struggle'. Student organisations such as Azasum (sic) and Azaso play a significant role."

Carlisle commented that anyone who grouped Azasum with the ANC displayed "appalling ignorance".

"The report goes inadvertently to the heart of the security problem in South Africa — because it displays an absolute lack of understanding of the causes of the so-called security threat," he said.

COSATU FACES UP TO QUESTION OF POLITICAL ALLIANCES

Johannesburg THE WEEKLY MAIL in English 19-25 Jun 87 p 2

[Article by Sefako Nyaka]

[Text]

EIGHTEEN months after its launch, the Congress of South African Trade Unions is having to face up to the contentious question of its open alliances with political organisations.

Since Cosatu's formation in Durban in 1985, several important developments have taken place within the federation. One of the most significant has been the shift into the political arena by some of Cosatu's biggest affiliates.

And it looks almost certain that one of the most pressing issues at the conference is bound to be a call for Cosatu to take a clearer political stand.

At its launch Cosatu stressed the economic, political and organisational independence of the federation and all its affiliates.

In a bid to "build unity", Cosatu resolved not to affiliate to "any political organisation within the democratic struggle in South Africa at the present time".

But the National Union of Mine-workers at its fifth annual conference in February noted that Cosatu's resolution on non-affiliation and co-operation with other "progressive" organisations was too loose and often led to misinterpretation.

The NUM sought a clearer definition of "progressive" in order to determine which organisations it could work with without compromising its policies, including its stand on non-racialism.

The union then adopted the Freedom Charter as a "guiding document in the struggle against national oppression and economic exploitation".

Although not explicit, the resolution was seen as an endorsement of the leadership role of the United Democratic Front in the democratic struggle.

Ironically the UDF has in the past avoided adopting the Freedom Charter as a working document. But the fact that one of its largest affiliates, the South African Youth Congress, has done so

A few weeks later the Food and Allied Workers Union also adopted the same stand as the NUM with regard to the charter.

Last month, after a heated debate, the second largest union in the country, the National Union of Metalworkers of SA (Numsa) adopted the charter.

At the press conference Numsa officials stressed that the resolution on the Freedom Charter should be read together with the one on the Workers' Charter "in order to be understood".

Numsa's stand, more cautious than the NUM's, was designed to appease those "workerists" in its ranks who opposed the adoption of the Charter.

Numsa will go to the July conference with a mandate to push for the incorporation of the Freedom Charter into a new "workers' charter".

And this week, a third position emerged.

At its national congress at the weekend, the 66 000 strong Commercial, Catering and Allied Workers' Union (Ccaawusa) avoided adopting either the Freedom Charter or the black consciousness Azanian manifesto because "endorsing either

lays the union open to serious divisions".

Ccawusa opted instead for a "socialist programme of action which will bind together all workers regardless of political affiliation".

The union regards the Freedom Charter as an historical document and believes that though its demands are important they are limited.

Ccawusa's stand is belived to be an attempt to "keep the door open" for co-operation with black consciousness groups in the National Forum, according to a labour expert who declined to be named.

"In South African terms political survival for extra-parliamentary anti-apartheid groups in the black community seem to hinge to a large extent on the support of the working class.

"And with Cosatu being the largest trade union federation it is important for the survival of some black political groups not to lose the support of such a powerful organisation," he said.

Ccawusa seems almost certain to be swamped at the conference. And the chances of its argument having any significant impact on the conference seem to be further eroded by the fact that Ccawusa is supposed to merge with the Hotel and Restaurant Work-

ers Union and the Retail and Allied Workers' Union into a single commercial and catering union, hopefully by next weekend.

Already there are signs the proposed merger might not go on as planned. Harwu claims Ccawusa is not interested in merging but wants to absorb the two smaller unions and retain the name.

Both Harwu and Rawu seem to favour the adoption of the Freedom Charter.

That Cosatu is bound to adopt the Freedom Charter is almost beyond dispute.

However what remains to be seen is whether it can do so without seriously damaging the unity it has built over the past 18 months.

●Ccawusa called for co-operation between rival union federations at the weekend. This call is seen as a bid to forge closer unity between Cosatu, the National Council of Trade Unions and independent trade unions.

Nactu, the product of a merger of the Council of Trade Unions and the Azanian Confederation of Trade Unions, recently extended a hand of friendship and it looks like Ccawusa is prepared to play the mediating role in this process.

/9274

CSO: 3400/102

MASA: DOCTOR EMIGRATING CAUSES CONCERN

Johannesburg BUSINESS DAY in English 12 Jun 87 p 2

[Article by Gerald Reilly]

[Text]

PRETORIA — The increasing numbers of doctors emigrating is causing concern for the Medical Association of SA (Masa).

Central Statistical Services figures show that in the first three months of this year 26 doctors and six medical specialists emigrated. That compares with 21 for the same time last year.

Masa federal council chairman Bernard Mandell said no statistics set out reasons why doctors emigrated, but it was feared that, in the long term, if current trends continued, medical students would be deprived of good teachers.

He said emigrants could be leaving for political or economic reasons as well as because of a lack of opportunities to advance their professional careers.

Masa believed doctors in academic practice, particularly, might well decide to leave because of more career opportunities elsewhere.

SA-trained doctors were well regarded in other countries.

Mandell said: "Naturally Masa is concerned about the loss of qualified doctors, particularly from the rural areas where numbers have not reached saturation point."

/13046

CSO: 3400/80

ONE-FOURTH OF SATS STRIKERS BACK TO WORK

Johannesburg BUSINESS DAY in English 12 Jun 87 p 2

[Article by Daniel Simon]

[Excerpt]

ABOUT a quarter of the 16 000 Sats strikers have reported to the railway's re-employment points on the Reef since Monday, Sats said yesterday.

Of these, 3 500 responded to the SA Railways and Harbours Workers' Union (Sarhwu) call for the strikers to stage a mass return-to-work yesterday.

Sats spokesman Jenny Jordaan said the re-hiring was not marred by any unrest incidents.

Long queues formed outside several employment bureaus, especially at the Kaserne depot in Johannesburg.

Sarhwu deputy secretary-general Themba Kuzwayo said confusion over when the railway workers would return to work was caused by the union's difficulty in finding a venue to hold meetings, after it was bombed out of its Cosatu House headquarters a month ago.

Cosatu and Sarhwu originally called on the strikers to return to work in a "united way" on Tuesday and Wednesday.

Jordaan stressed Sats' June 15 recruitment deadline would not be rigidly imposed.

"We are confident that all the workers can be re-hired by next Monday, but nobody will lose their jobs if we cannot process the administrative work by then."

/13046

CSO: 3400/80

'VARSITY IN SPACE' PROGRAM TO SOLVE WORSENING SKILLS SHORTAGE

Johannesburg THE STAR in English 9 Jun 87 p 15

[Article by Michael Chester]

[Text]

Business leaders and academics were gathering in Pretoria today to discuss the launch of South Africa's "Varsity in Space" — a crash programme to solve the worsening skills shortage.

The use of satellite links to bring skills programmes to workers and executives has been proposed by the Syncom think tank in a joint planning exercise with the Laboratory for Advanced Engineering at the University of Pretoria.

Planners urge the creation of a Learning Network Corporation (LNC) to pull in the private sector and help finance the multimillion-rand venture.

They visualise the LNC as main catalyst in the running of space-age classrooms to develop a new generation of workers — from skilled artisans to top corporate executives. The programme would draw on the potential talent of all race groups.

The system would be available not only at university and technician level, but inside schools, business schools, community centres, factories and offices even in the most remote areas.

Mr Andre Spier, head of Syncom, is convinced the involvement of the private sector is crucial to supplement the present education system and ensure a bigger and better-skilled labour force.

Primary users of the "Varsity in Space" would be:

- Universities and technikons, feeding in programmes from their own material, exchanging high-technology information and drawing on international expertise in specialised spheres.
- Teacher training colleges, which could use the system without hindrance from racial segregation barriers.
- Scientific institutions, in worldwide, two-way exchanges to share knowledge of hi-tech innovations.
- Professional bodies, laying out future needs and levels of competence and using the system to meet training needs.
- Business organisations, such as the Small Business Development Corporation and Institute of Personnel Management, using the system to disseminate information and plot international trends.
- Schools and various cultural organisations, putting the system to use at community level.

How will the "Varsity in Space" work?

It is envisaged that the LNC will co-ordinate the operation of classrooms run by specialists, feeding in audio-visual programmes. These might start with adult literacy courses in community centres and climb to managerial courses of university and business school standard.

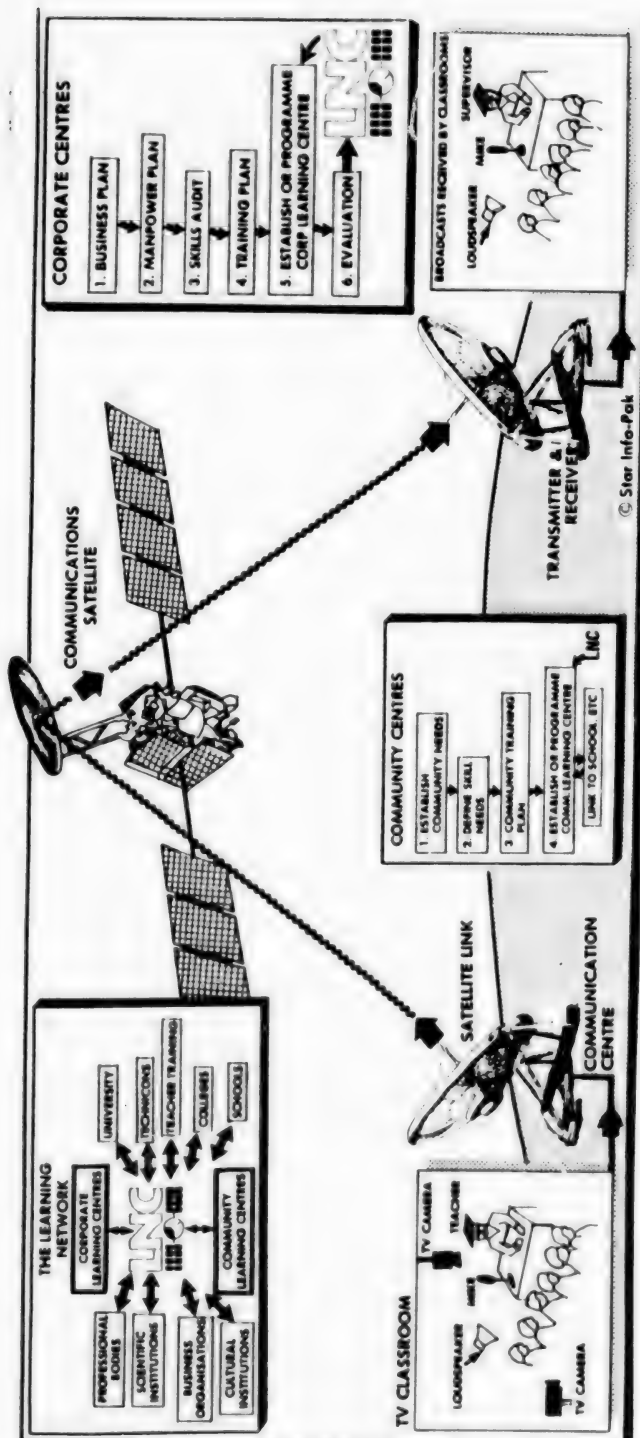
Programmes would be fed to a satellite orbiting about 36 000 km above South Africa and then bounced back to earth stations.

Material would be channelled to microwave TV towers that would transmit programmes to receivers and connect classrooms back to source, enabling two-way communication between students and lecturers.

Community centres will be asked to set out local needs — everything from housing schemes to adult education classes.

Said Professor Louis van Biljon, executive chairman of the Laboratory for Advanced Engineering (LGE): "We have the technology to instruct all our population and open vast new vistas.

"To keep this country thriving, we have to create 1 000 jobs every day. We must fit 100 years of educational evolution into a five- or 10-year cycle."



BRIEFS

NATAL HOUSE PRICE INCREASES--House prices in Durban and the rest of Natal showed above average year-on-year increases in the first quarter of 1987, says United Building Society. While the annual gain in prices for the whole country was three percent, the Durban-Pinetown area saw an increase of six percent. Elsewhere in Natal prices were up by seven percent. By comparison with the fourth quarter of 1986 and first quarter of 1987 figures shows that Durban prices are slowing, with a gain of just one percent recorded. The rest of Natal had a quarterly change of 11 percent. Latest average Durban prices are: small houses--R64 883; medium houses--R82 817; large houses--R109 832. According to the UBS's Quarterly Housing Review, medium-sized house prices nationwide rose by five percent on a quarterly basis. It says new houses are still relatively expensive with a 13 percent premium over comparable existing houses. It forecasts that building costs will rise by 17 percent this year, and this will be seen in the price of new houses. On average, it says, house prices will rise by five to 15 percent this year. It also forecasts that bond rates will rise soon as the economic upswing leads to heavier demand for money. [Text] [Durban THE DAILY NEWS in English 5 Jun 87 p 14] /13046

MIDRAND TO BECOME SECOSAF HEADQUARTERS--Midrand could become SA's first multi-racial community following yesterday's agreement between Foreign Minister Pik Botha and the Secretariat for Multilateral Co-operation and Development (Secosaf). The agreement calls initially for the development of new headquarters for Secosaf, which is comprised of representatives of the homelands and SA. Observers, however, believe the balance of the 150ha site will be made into an "international" village--the Bryntirion of Midrand--to attract black diplomats and their staff. Three years ago government expropriated the site from Institutional Land Holdings. Long before, however, Midrand had been rife with rumours government planned to set up the area as an international village of homeland diplomats and their staff. The rumours were given further credence when the Development Bank of Southern Africa, responsible for homeland loans, announced it would develop its new headquarters on a small part of the expropriated land. Political sources say the balance of the site is expected to become the Bryntirion of Midrand. [Text] [By Terry Meyer] [Johannesburg BUSINESS DAY in English 17 Jun 87 p 1] /9274

NUMBER OF BLACKS ATTENDING WHITE SCHOOLS--House of Assembly--A total of 7 608 blacks, coloureds and Indians were attending white schools, the Minister of Education and Culture in the house of Assembly, Piet Clase, said yesterday. They attended 353 schools, 330 of which were private. Only 13 state-aided schools--six in the Cape, two in Natal, five in the Transvaal--and 10 state-subsidised schools were involved. Clase, who was replying to a question tabled by Ferdi Hartzenberg (CP Lichtenberg), said 2 970 black children, 3 008 coloured children and 1 630 Indian children attended schools for whites during the year. He also said his department subsidised schools attended by white children and children of other races by an amount of R11,2m during the 1986/7 financial year. [Text] [Johannesburg BUSINESS DAY in English 12 Jun 87 p 4] /13046

9 PERCENT RISE IN WHITE EDUCATION SPENDING--House of Assembly--Spending on white education is to rise by 8,8% in the current year--well below the inflation rate. Minister of the Budget in the House of Assembly, Dawie de Villiers, said yesterday R3,338bn had been earmarked for white education--R269,337m more than last year. The announcement came after the disclosure by Minister of Education and Culture Piet Clase on Tuesday that cash allocations at white schools for text books, exercise books, stationery and the upkeep of grounds had been cut by up to 40%. De Villiers yesterday budgeted for a R53m increase in spending on preprimary, primary, secondary education and teacher training. Universities and technikons would have R188m more this year, but there had been a drop in expenditure on education for handicapped children. A total of R97,434m had been allocated for the 1987/8 financial year--R501 000 less than last year. The main recipients of extra finance at tertiary level were Unisa (R44m); Pretoria and Stellenbosch (R16m), Natal University (R15m); RAU (R10m); UPE and UCT (R9m); Potchefstroom (R8m). Witwatersrand Technikon would get R15m and Cape Technikon R10m. [Text] [Johannesburg BUSINESS DAY in English 12 Jun 87 p 4] /13046

CSO: 3400/80

EXPORTERS CHALLENGED TO BE MORE COMPETITIVE

Minister Addresses Parastatals

Dar es Salaam TANZANIA DAILY NEWS in English 28 May 87 p 1

[Article by James Mwakisyalala]

[Text]

TANZANIAN exporters have been challenged to be competitive and aggressive in securing export orders from member states of the Preferential Trade Area (PTA).

The challenge was thrown yesterday by the Minister for Industries and Trade, Ndugu Daudi Mwakawago, when speaking to over 50 members of the Tanzania Association of Parastatal Organisations (TAPO) at the Institute of Finance Management in Dar es Salaam.

Ndugu Mwakawago, who was speaking on "Strategies for Promoting Exports Within the PTA" said most enquiries at his Ministry on trading within PTA concerned importation and not exportation primarily because the producers and exporters had forgotten the consumer and business ethics.

From now on, he said, we must be serious with business. We must be aggressive and, above all rebuild our reputation as a nation of high ethical business people.

The protective domestic market that Tanzania had for a long time seemed to have "lulled us into losing some business ethics and principles... We are used to buyers to come begging for the products... and sellers no longer go out to solicit business nor do they trouble themselves to respond to enquiries".

"Don't take the consumer for granted. Use normal business ethics. To assume that for as long as you have goods the consumers will come on their own is being short-sighted. We are too satisfied with modest success. We have to do more than that", Ndugu Mwakawago emphasised.

The Minister said his Ministry was reviewing the country's internal policy on trade in light of the 1984 (start of liberalisation of imports policy) to make necessary changes. External policy was being studied too, he added, without elaboration.

Ndugu Mwakawago said Tanzanian exports had a lot of potential in the PTA which encompasses countries in Eastern, Central and Southern Africa and the Oceania but efforts must be made at home to improve the quality of the products, services, to foreign buyers and the right mentality for "International business".

He said numerous economic advantages accrued exporters and importers in the PTA as provided for by the tariffs which were reduced in relation to the Rule of Origin.

The Rule of Origin, he explained, stipulated that goods to benefit from the reduced tariffs must be from industries which were at least over 51 per cent owned by the states in the region or its nationals owned the

equivalent value and managed mostly by local people.

The Rule, he added, was intended to ensure that the region did not become a heaven for promoting goods of transnationals but benefits the PTA member states.

Ndugu Mwakawago said it was hoped that PTA would establish an economic community by the year 2000 and enhance trade, customs, industries, transportation, communication and agricultural among themselves.

Trade, he explained, was being given much emphasis at the moment "simply because it

is seen as a vehicle for the (PTA's goal".

He told the heads of parastatals that they better use the Harare-based PTA Clearing House to benefit fully through trading in local currencies, else they would find themselves paying in foreign exchange for their imports.

The Minister called on the industrialists to improve the quality of their products and cut operational costs to be competitive. He also felt that there was over-employment in most companies and financial control was slack.

Preferential Trade Area Backed

Dar es Salaam TANZANIA DAILY NEWS in English 28 May 87 p 1

[Editorial]

[Text]

THE Preferential Trade Area (PTA) has been operating long enough for members to have established what goods and services are available for exchange among themselves.

For the organisation, bringing together countries in Eastern, Central and Southern Africa, was created with the aim of stimulating trade among the members as a means of stimulating economic growth.

That is why there was provision of tariff reduction to ensure that goods produced in the region, would have a competing edge on those from outside the grouping.

There have been some active members who have taken up the challenge to supply the vast market with the necessary items, but it is also true that trade remains disappointingly low.

Among those who have not taken full advantage of the PTA market are regretfully Tanzanian traders, which yesterday prompted the Minister for Industries and Trade, Ndugu Daudi Mwakawago, to wonder whether they were waiting

for the consumers to come enquiring for goods.

We are aware that the Government has already published a prepared list of 80 commodities that can be sold under the PTA market arrangement.

The list contains mainly farm, animal and marine products, whose production could be easily stimulated with the assurance that there was a ready market.

We are keen to see more Tanzanian exporters entering the PTA market, partly because a basic requirement in trade is to sell in order to be able to buy.

In the case of PTA, the exchange is through local currencies of the members, under the clearing arrangement in Harare.

It takes care of our foreign currency problems, except our current situation where we are buying more than we are selling. It means the more we sell, the more we increase our ability to buy from the PTA, where a cost of goods and services we need exist and can be brought in reasonably quickly.

But as the Minister was cautioned, it is not enough to go out soliciting for customers. Our products must be competitive and of high quality.

The challenge then to all those who venture into the international market, be it the PTA or any other, the rules of the game are to be able to offer the best, cheaper than your rival.

While it is true that there are genuine snags to lowering costs of our products, which should be discussed in the appropriate forums for producers and exporters (where these are different organisations), it is also true that we have been used to the protected market for so long, that we have ignored a few basic requirements of successfully breaking into new markets.

The challenge before our exporters is to improve quality, control costs to ensure competitiveness and deliver the product in the best quality possible. We believe this is a challenge they can meet.

It is also important to emphasise that the PTA, if fully exploited, can be a very vital input into our recovery and further economic growth.

We must start now trading with each other more, going for especially those products which use more local inputs, as a direct way of stimulating production.

Only in this way can the goal of having a functioning economic community by the turn of the century materialise.

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CSO: 3400/94

TAZARA COUNCIL OF MINISTERS APPROVES 1987-88 BUDGET

Dar es Salaam TANZANIA DAILY NEWS in English 24 May 87 p 1

[Text]

THE Tanzania-Zambia Railway Authority (TAZARA) Council of Ministers has approved the 1987/88 budget for Tazara during which the authority's total operating expenditure will rise to 1,571 million/- compared to 1,057 million/- during the year 1986/87.

The budget was approved on Friday by the council's day-long meeting in Dar es Salaam under the out-going chairman, Fitz-Patrick Chuula, former Zambian Minister for Transport, who has been appointed Agriculture Minister in a recent cabinet reshuffle.

Under the 1987/88 budget, effective from July 1 this year to June 30 next year, Tazara expects to handle cargo traffic of 1,355 million tonnes, compared to 1,176 million tonnes during 1986/87.

It also expected to carry 1.3 million passengers with a total revenue of 2,407 million/- compared to 1,401 million/- during 1986/87.

The council meeting was also attended by its co-Chairman, Ndugu Mustafa Nyang'anyi (Tanzania's Minister for Communications and Works), the Tanzania Minister for Trade and Industries, Ndugu Daudi Mwakawago, and Zambia's Minister for Commerce and Industry Jameson Kalaluka.

During 1986/87, there was an operating surplus of 344

million/- compared to an estimated 836 million/- for the following fiscal year.

Speaking to newsmen, Chuula said the meeting was very much impressed by the performance of TAZARA during the previous year.

He said Zambians were particularly interested to see that in the second quarter of the 1986/87 budget (October-November-December), there was an upward trend, affording TAZARA an operational surplus of about 262 million/-.

Chuula said this was beyond the budgeted figure for the second quarter of the budget.

The 1,860-kilometre-long TAZARA also handles import and export cargo for Malawi, and Zimbabwe.

Chuula said it was his hope that the show of efficiency exercised by Tazara over the past two years would continue.

Meanwhile, Tazara this year started repaying its loans for spare parts to China which built the railway.

The repaid amount stood at 270 million/- in 1986/87 and 545 million/- is expected to be repaid during the year 1987/88.

The repayment of the loan for the main construction of the railway is scheduled to start in 1993. The construction loan is interest free and will be repaid over a period of 30 years.

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CSO: 3400/94

NEWLY ANNOUNCED PRICE STIRS LIFE IN TEA INDUSTRY

London AFRICA ANALYSIS in English 29 May 87 p 9

[Text]

KAMPALA. The newly-announced price for Uganda's green leaf tea is Sh5 (500 old shillings) a kilo. The price for made tea has not yet been set, and the processors are being consulted. But it is clear already that the new exchange rate will allow tea to be exported at a fair profit.

After coffee and cotton, it used to be Uganda's third largest export crop: production peaked in 1972 at 20m kilos. Since then, its importance has waned - in 1986 Uganda produced only 3.2m kilos, bringing in a mere \$3m, less than one-hundredth of Uganda's foreign earnings.

The quality has also declined. From 1974 to 1984 Ugandan tea was absent from the London auctions. Now only tea produced on estates run by the British company Mitchell Cotts is good enough to sell there.

Most exported Ugandan tea is sold at the Mombasa auctions. Buyers are mainly Sudan, Somalia, Pakistan and Egypt. Idi Amin's expulsion of the Asians, and the subsequent neglect of their estates, are the main causes of tea's sharp decline in Uganda's agricultural activity. Only a quarter of the 21,000 hectares nominally devoted to tea is currently in production.

Only 10 out of 34 tea factories are working and only six can produce leaves of export quality. They are served by four groups of producers.

Smallholders grow tea intermixed with other crops on a total of 9400 hectares. Their holdings average only a hectare each, and they are organized under the parastatal Uganda Tea Growers Corporation (UTGC).

Six estates are owned entirely by the government, managed by the parastatal Agricultural Enterprises Limited (AEL). They cover 300 hectares, but due to neglect their production is less than 0.2 tonnes a hectare.

Two joint venture companies account for half of the area now in production. These are Toro and Mityana Tea Company, owned 51-49% by the government and Mitchell Cotts; and the Uganda Tea Corporation (UTC) owned 51-49% by the government and the Asian Mehta Group of Bermuda. Mitchell Cotts and the Mehta Group both left Uganda during the Amin period, returning in 1980.

The final group is the 21 private estates expropriated in 1972 by Amin's regime. They cover 5000 hectares and 16 of them belonged to Asian and to British tea planters.

Initially they were allocated to Amin associates. Then in 1980, when Milton Obote took power, they passed to his friends. With the exception of two which have been properly purchased, the estates are still in the hands of Obote 'allocates'.

One of the largest, with 1400 hectares, is run by Obote's former minister of agriculture, Sam Mugwisa. In prison since December on murder charges, Mugwisa is said to have monopolised ministry pesticides and other inputs for his estate and then not repatriated the foreign exchange his tea earned.

President Museveni's government must resolve who owns these estates if the tea industry is to flourish again. Aid agencies are naturally reluctant to rehabilitate estates with no clear owner.

Committees have been set up to value the estates, consider claims of former owners and, remarkably enough, to compensate those 'allocates' who made improvements in them. But the legal wrangles are so complex and the courts so full that it will be surprising if the estates have rightful owners by 1990.

Some aid is now trickling in for Uganda's tea industry. International Finance Corporation funds are rehabilitating the Mitchell Cotts and UTC factories. An International Development Association credit for \$7.3m is rehabilitating UTGC's four factories, and three out of AEL's six. The African Development Bank has provided funds for three new factories.

But help is needed for the bushes as well as the factories. Those factories that are working are running at only 20% capacity for lack of green leaf.

Uganda's development plan includes a \$50m rehabilitation project for both field and factories. This aims to return tea production to its 1972 peak by 1990. Less than half of the funds have been placed, however, due to the ownership puzzles.

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